Optimism is a feature rarely seen in contemporary public debate. Rather, the media is full of dreary gloom—whether in the areas of biotechnology, nuclear power, over-population, consumerism, the cultural effects of globalisation, or—the big one—climate change, skilled political commentators can have rewarding careers without ever saying anything positive about the state of the world.

Right-of-centre, we are not immune to this cynical pessimism either. Focusing on public policy and politics can often be as depressing to the right as an endangered species list is to the left. Government spending continues to grow, regulation continues to increase, and hardly a day goes by without a piece of legislation or policy announcement that limits liberal freedoms. With the Rudd government now eyeballing the dubious achievements of Tony Blair, it might be hard to avoid having the occasional cry into our collective beers.

And so it can hardly be emphasised enough that, on almost every possible measure, the world is getting better. In this edition of the IPA Review, Louise Staley walks us through the substantial empirical evidence for that proposition. Infant mortality rates are declining rapidly. Nutrition is improving rapidly. Access to clean water and literacy rates; life expectancy and living standards—across the board, these measures are strongly trending upwards. And developing nations are increasingly sharing the bounty.

And it is unfortunate that the word ‘consumerism’ has been co-opted by the left as a term of abuse—there are more niche products available to us than ever before. If you love Romanian hip-hop, or bocconcini, or reproduction Georgian furniture, obtaining them is easy and inexpensive. Somehow, the left manage to caricature this explosion of tastes and choices as a failure of the capitalist system—but it is, on the level of the individual, one of capitalism’s greatest strengths.

There are, of course, many areas of the world desperate to share in this bounty, and many areas of Australian society—indigenous communities for one—which are currently missing out. But their challenge is to follow the trail set by the West. And, as Louise Staley confirms, there is good reason for hope.

Optimism is, after all, one of liberalism’s key themes.

Elsewhere in this issue, we focus on the need to increase Australia’s immigration levels. John Humphreys argues that the case for free immigration agreements is just as strong as the case for free trade agreements—perhaps even better. Ken Phillips writes about the importance of immigration to resolving the skills shortage, and why the government just doesn’t get it. And Richard Allsop notes that, contrary to popular opinion, the political party that gives the biggest support to expanding immigration may not be the party we immediately think of.

Stefan Theil reveals the perilous state of European education in economics. If Europe is to kick itself out of its sluggish growth, it might want to start with revising its school textbooks.

And all eyes in the Liberal Party will be on the Republican Party and the British Tories. Tim Wilson peers behind the Republican primaries to discover the awkward ideological maneuvering in the GOP. And James Campbell picks up the UK Conservative Party at the high point of its decade in opposition, and shows us just how it got there.

But if there is anything to tie these diverse articles together, it is their optimistic tone. When given political and economic freedom, individuals shape their world for the better.
Editorial
From the Executive Director
Young governments are like young children.
Christian Kerr

Shorts
Public transport, research and development, intellectual property, shipping, agriculture and babies.

The world is getting better
Pessimism about the environment is unwarranted—the world is improving at a remarkable pace.
Louise Staley

‘Sub-prime’ should not be the basis for increasing financial regulation
There is nothing new under the sun.
Sinclair Davidson

How the government and unions help maintain Australia’s skills shortage
Regulation is holding back immigration.
Ken Phillips

The case for free immigration agreements
Free trade agreements are only the first step.
John Humphreys

History as if policy mattered
On tariffs and immigration, party reputations don’t match their records.
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Millions of children are being raised on prejudice and disinformation.
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The GOP drifting without a rudder.
Tim Wilson

In defence of David Cameron
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‘Goddamn you all to hell’
The revealing politics of dystopian movies.
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Despite the Bali show-and-tell, carbon targets continue to be futile
Alan Moran

The new water minister has a chance to wean Adelaide off the Murray River
Jennifer Marohasy

BOOK REVIEWS

The Stalin enigma
John Roskam reviews Dean Acheson: A Life in the Cold War and George Kennan: A Study of Character

Ilf and Petrov’s excellent adventure
Chris Berg reviews Ilf and Petrov’s American Road Trip

Intolerance as ideology
Richard Allsop reviews Blubberland: The Dangers of Happiness

A disappointing cool down
Jennifer Marohasy reviews Cool It: The Skeptical Environmentalist’s Guide to Global Warming

The four ways of reading
Louise Staley reviews How to Read the Bible

Doctrines come cheap
Andrew Kemp reviews The Shock Doctrine

What ‘fascist mob’?
Overland and the IPA
Since when is opposition to government interference in the economy and society ‘fascist’?
Chris Berg

Strange Times

Cover image: Scarlett Johansson in The Island, © Everett Collection / Headpress
Following substantial growth in sales and an overwhelming response from readers the IPA Review will now be published more often. Beginning with this edition the IPA Review will appear every two months instead of quarterly. Furthermore, the structure of the magazine has been changed to give cover a broader range of commentary and policy ideas.

It’s coincidental that this decision was taken a few months before the demise of The Bulletin was announced. In the wake of the end of The Bulletin it wasn’t difficult to find any number of analysts, publishers, and pundits predicting the doom of printed current affairs and political journals. Allegedly the internet was to blame. The story went that fewer and fewer people were interested in reading hardcopy journals and magazines. What was wanted instead was something that was instantaneous and able to be downloaded on to an iPhone.

Well—this hasn’t been the case with the IPA Review. Sales of the IPA Review from newsstands around the country have doubled in the last twelve months. Articles and stories from the IPA Review have been reprinted in the major news outlets nationally and internationally. And the number of unsolicited contributions has dramatically increased. Clearly the IPA Review is having an impact and people want to read it.

The achievements of the IPA Review have proven wrong one of the supposed truisms of Australian intellectual life. Namely that left-wingers buy left-wing books but liberals don’t buy liberal books. While the IPA Review isn’t a book of course, the principle still applies. At this stage the circulation of the IPA Review doesn’t challenge that of magazines of a broadly left-wing persuasion—but it is our aim to change this state of affairs in a very short period of time.

It might simply be that the reason liberals don’t buy books is that there are so few books for them to buy. It could be a case of ‘market failure’. Few books of commentary, history, or politics are written because there is no perceived market for such books. By contrast anything that blames John Howard or George Bush for all the ills of the world gets a wide and willing audience.

One of the reasons for the success of the IPA Review is that when people buy it they know what to expect. They know that the Institute of Public Affairs and the IPA Review will argue for greater personal choice and less government, less tax, and less regulation. Unfortunately that is a perspective all too rarely found in the media in Australia. It is a position the IPA has held to consistently since the Institute’s founding in 1943.
Young governments, like young children, learn in different ways.

New ministers and their minders will never admit it, but young governments are very much like young children. They see that it’s a wonderful world out there, but to succeed they need to know their limits. They need to know what they can and cannot do. They need to learn how to conduct themselves. So their mandarins try to settle them down and teach them some life skills.

The Rudd government has set up straight and listened most attentively for its first few months. There have been a few outbreaks of childish enthusiasm—Peter Garrett with his whales and his customs ships and deciding he doesn’t like those nasty, nasty plastic bags—but for the large part our young government has been quite well behaved. Some ministers have channelled their energies in most productive ways. Take Lindsay Tanner. He has dismembered coalition programs with that mix of concentration and glee little boys display as they rip the wings off flies.

The Rudd government might be a young government, but it is already showing the bright and earnest nature of its leader. It knows that there is a wonderful world out there, full of things a government can do, but it also realises that there is always danger lurking.

The maxim might not be politically correct, but as the Rudd government has taken its first few steps, most ministers have remembered to always stay close to nurse entertainment. They help young children develop their vocabulary. Several teach rudimentary counting. Some psychoanalysts say nursery rhymes enable us to symbolically resolve issues. They perform functions of catharsis for children, and allow them to imaginatively deal with violence and danger. In the face of a global slowdown, it appears that our Prime Minister and Treasurer have sat down with Christopher Robin and When We Were Very Young:

Whenever I walk in a London* street,
I’m ever so careful to watch my feet;
And I keep in the squares,
And the masses of bears,
Who wait at the corner all ready to eat
The sillies who tread on the lines of the street,
Go back to their lairs,
And I say to them, ’Bears,
Just look how I’m walking in all of the squares’!

(*insert New York, Shanghai, Frankfurt or any other global financial centre)

Throughout last year’s election campaign, Kevin Rudd emphasised his credentials as an economic conservative. Now, as Prime Minister, he is determined to walk in the squares. He is relying on Treasury and the Reserve Bank for guidance.

In his first official act as Prime Minister, Rudd ratified Kyoto. His second was to issue a ‘Statement on the Conduct of Monetary Policy’ designed to strengthen the independence of the Reserve Bank and enhance policy transparency.

Rudd outlined his economic priorities in a press conference after the first meeting of his new cabinet early in December.

‘We’ve been warned recently by the Governor of the Reserve Bank about continued inflationary pressures in the economy,’ he said. ‘There are three ways in which we can address this challenge. One is to ensure we have an effective independent monetary policy anchored still in the independence of the Reserve Bank plus the continuation of the Bank’s inflation targeting regime.’

‘The second is to ensure a disciplined approach to fiscal policy,’ he continued. ‘We’re committed to robust budget surpluses and part and parcel of that is to ensure that we are properly implementing a regime of razor gang type disciplines.’

‘The third element of effective policy... is to ensure that we maximise our investment in skills and infrastructure.’

In his last Quadrant editorial, Paddy McGuinness observed: ‘At this early stage the new Labor government looks a lot like the Hawke Labor government before Keating’s grab for power—overall, an effective, reformist government introducing many of the reforms which the Fraser government should have introduced but for various reasons, in particular Fraser’s sheer stupidity, did not. Like Hawke Labor, Rudd proposes to dwell on fiscal responsibility as well as overall monetary soundness.’

There is a crucial difference, though. The Hawke government did not seek the role of reformers. It was thrust upon them. In contrast, the Rudd government would dearly love that mantle. It has taken office, though, facing what may be the most uncertain economic times since the early 1970s.

Self-proclaimed economic conservatives have had even more conservatism thrust upon them—and the need to be daring, rebuff the calls for spending Labor always faces and ensure government invests our money prudently and productively. So it has embraced Treasury, the Reserve and all the financial regulators.

Treasury, as a department, is not known for its humility. It will appreciate the attention. But there is a danger in all of this. In its first few weeks, the Rudd government seems keen to learn. It seems determined not to err. Ever so careful to watch its feet. But if anything suddenly goes wrong—economically or simply just politically—it can blame its teachers.

After all, it is only a young government.

Christian Kerr will have a regular column in the IPA Review.
IS GOVERNMENT
BUREAUCRACY
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DOWN?

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Innovation, Industry, Science and Research Minister Kim Carr has promised that the Labor government will ‘review’ the R&D tax concessions. One of the early decisions of the Howard government was to reduce the 150 per cent R&D concession to 125 per cent. The public science lobby was shocked, and has campaigned relentlessly over the past 11 years to restore the concession to its former glory.

The 150 per cent tax concession for R&D was introduced in 1985. In that year business expenditure on R&D was 0.38 per cent of GDP. By 1996, when the concession was reduced to 125 per cent, that expenditure had increased to 0.86 per cent of GDP.

The evidence in favour of the tax concession is that business expenditure on R&D declined after 1995-96, falling to 0.65 per cent of GDP by 1999-00. But this is an incomplete picture. There was a huge increase in expenditure in the early 1990s—it appears that there was in those years an Australian ‘R&D bubble’. Also there was the dot-com boom in the late 1990s where Australia was pilloried as an ‘old-style’ economy. In short, the decline in R&D expenditure to GDP following 1996 provides no definitive support for, or against, the tax concession.

In a paper entitled Travel journey to work in Australian capital cities, 1976-2006: An Analysis of Census Data, some Melbourne-based transport academics recently claimed that ‘Melbourne is the worst performing city over the three decades’ having the biggest increase in car use and decline in public transport use.

While over three decades this might be true, what was intriguing was the explanation of Melbourne’s ‘poor’ performance. One of the three alleged reasons for Melbourne’s performance was ‘poor public transport management … a situation exacerbated by the privatisation of trains and trams in 1999’.

Yet, the fine print in the academics’ own document clearly demonstrates that in recent years Melbourne has been the best performing city.

In the ten years, 1996-2006, public transport’s share of journey to work passengers has increased by 1.7 per cent in Melbourne, by 1.4 per cent in Perth (the public transport activists’ love child), by 1.3 per cent in Brisbane, by 1.0 per cent in Adelaide, and actually declined in Sydney, Canberra and Hobart.

So, one can see that the real reason the academics chose 1976 as their base year for comparison is that it is the year privatisation took place in Melbourne. The truth is that the numbers do not support the academics’ argument. In fact, the privatisation of transport in Melbourne has been a success story, with increased use of public transport over the last 10 years.
was to include the five years from 1976 to 1981 when Melbourne’s public transport share declined dramatically and other cities, especially Sydney with significant public transport investment from the Wran Government, did much better.

It appears that in their ideological opposition to privatisation some alleged supporters of public transport will do anything to present the services in their home town in a bad light.

Considering the road lobby’s use of low public transport share as their chief argument for greater roads investment, it seems a bizarre strategy.

Intellectual property
Low emissions technology under UN threat
Tim Wilson

At the United Nations Framework Convention on Climate Change meeting hosted in Bali last December, NGOs were falling over themselves to have their favourite causes included in the proceedings. NGOs have successfully ticketed climate change as the cause celebre of ‘social justice’ activism; and are using it to advance many of their traditional unpopular agendas.

The agenda that stood out the least, but may have one of the biggest effects on reducing global carbon dioxide emissions, was a campaign against intellectual property (IP) for mitigation technologies. The campaign is being run by developing country bureaucrats influenced by NGOs that want to undermine patents.

The push is principally being driven by the head of the Malaysian-based NGO Third World Network. This NGO has a long history of working with developing country officials to influence their policy positions and get their agendas onto the negotiating table. They appear to be succeeding.

In a side event at Bali the Nigerian environment minister spoke out against IP as a ‘barrier’ for developing countries to access the technology to reduce carbon emissions.

But the minister was scant on detail. When asked what action should be taken to address this barrier, the minister couldn’t articulate how IP was a barrier or what action the international community be taking.

Despite the inadequacy of their case, even the United Nations is pursuing this anti IP message.

At the same side event the UN Department of Economic and Social Affairs released a paper arguing for ‘tiered pricing’ of emission technologies. Tiered pricing currently exists in pharmaceuticals where companies sell medicines at substantially lower prices in developing countries to ensure accessibility.

The debate is taking on a familiar tone. The anti-IP debate on pharmaceuticals started similarly and ultimately resulted in compulsory licensing and parallel importation of medicines. Investors in low emissions technology should be wary.
For too long the coalition framed agricultural policy as welfare instead of pushing the industry to innovate.

Rural and agriculture

**Labor’s Ag Minister picking up where coalition failed**

_Louise Staley_

_S_ince becoming the surprise choice as Minister for Agriculture in the new Rudd government, Tony Burke has, by and large, said sensible things on all the big issues confronting agriculture. In so doing he has upset both the diminishing band of wheat single desk supporters and Greenpeace. This is a very good thing.

Burke set out to get an understanding of agriculture by travelling around and talking to farmers. At times he comes across as surprised at what’s he’s found: the city politician fascinated to discover croppers use satellite navigation and conservation farming instead of raising massive dust storms by ploughing. Yet this is helpful—farmers too often fail to explain to non-farmers what modern farming looks like. Having a voice around the cabinet table in support of the most pioneering farmers instead of the neediest must be positive. For too long the coalition framed agricultural policy as welfare programs for failing farmers instead of pushing the industry to innovate and perform better on the world stage.

Especially helpful have been the new minister’s comments on genetically modified foods. Much to the dismay of the anti-science brigade who had hoped to move their campaign against GM from the states to the new federal government, Tony Burke has grasped the importance of GM to farmers both as an aid to profitability and for good environmental practice.

Full marks must be assigned for his comments on the single desk for wheat. Single desk supporters raised the expectation that the new minister would reverse Labor’s policy of deregulation. By immediately reiterating that deregulation would be pursued, Burke has indicated Labor could act in growers and the national interest, instead of the sectional interests of the National Party.

On balance, his suggestion that drought payments be reformed to require preparedness for drought is also positive. This appears to be an improvement on the current welfare system, but this new system would need to be paid in non-drought periods so preparation can occur. The end result might just be more money as, come the next drought, it is unlikely any government could withstand the vociferous pleadings of the farm lobby for those struggling.

Overwhelmingly farmers don’t vote Labor yet on initial indications they have lucked-in with a smart, sensible minister.

**Climate change**

**Preparing for the baby cull**

_Richard Allsop_

_G_lobal warming is bringing out the usual suspects who will use any alleged threat to humanity’s existence to argue that the world would be a better place with less humans living on it.

Having a degree in any branch of science seems to especially qualify one to tell the citizens of the world how many children they should have.

The Australian biologist Allen Greer recently posed the question ‘Is another billion of us going to make life better overall or worse?’

The extra one billion might conclude that their lives could be ‘better overall’ if they are given a shot at living.

Population growth in many western countries is now below replacement rate. Even the world’s population, while projected to grow by another two billion by 2045, is expected then to stabilise.

Barry Waters, an associate professor of obstetric medicine at the University of Western Australia, has suggested a carbon tax on those having more than two children (presumably only in western countries where the replacement rate is scarcely being achieved and not on developing world peasants).

One wonders if he had considered a sliding scale where teenagers who get pregnant would have to pay more, because these parents and their offspring are more likely to be living simultaneously on the planet and using resources at the same time, with perhaps a discount for teenage smokers and drink-drivers, as they may drop off the planet sooner. Furthermore, should the tax be applied to sperm donors?

Perhaps before we go to these surreal lengths, we should address the whole range of current incentives in Australia for having more children that could be removed—Medicare funding for infertility treatment, the baby bonus, subsidised child care, education funding and so on.

It seems everywhere there is someone telling people they should have more or less children for the good of society. How about leaving that decision to potential parents? R

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**This child is a threat.**
Many CSIRO reports merely represent speculation about one or a few possible climate futures.

The global economy
20 years reveals gigantic strides in international trade
Chris Berg

The politics of trade policy often obscures what should be an unambiguously positive story about the globalisation of the world economy. Goods which were previously produced on a single site are now produced in a virtual international factory—each element assembled in different countries, even continents, and linked by the international shipping network.

In his 2006 history of the shipping container The Box, Marc Levinson illustrated this by detailing the convoluted production process of a Barbie doll—Chinese workers produce the figure using moulds from the United States, machinery from Japan and Europe, and plastic from Taiwan; her hair is produced in Japan, the pigments from the United States, and the clothing from China.

Just how rapidly the world’s economies are becoming interdependent is clear when we look at the shipping container. The US-based Progressive Policy Institute has recently noted that the container capacity of an average container ship has massively increased over the last two decades. The average ship can now carry the 2,348 twenty-foot equivalent units (the size of a standard shipping container). The international container ship fleet has itself grown four-fold since 1987.

And this is only set to increase. The world’s longest container ship, the Dutch-owned Emma Maersk can carry 11,000 units.

This rapid and dramatic increase in international economic integration has been just as significant for our economic well-being as have any changes in public policy. The entrepreneur who popularised the shipping container—Malcolm McLean—should be just as well remembered as the politicians who cut tariffs. And when we look at the low cost and high variety of goods available in our stores, we should remember that it was entrepreneurs who brought them there, not well-crafted public policy.

Capacity of average container ship

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
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<tbody>
<tr>
<td>1987</td>
<td>1,124 units*</td>
</tr>
<tr>
<td>1997</td>
<td>1,658 units</td>
</tr>
<tr>
<td>2007</td>
<td>2,348 units</td>
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*twenty foot equivalent units

Source: PPI Trade Fact of the Week

CSIRO flatly refused to comply and pointed out that Kevin Rudd had been a vocal critic of ‘science censorship and government spin’ while in opposition. This appears to be the end of the public spat, but it is unlikely to be the beginning of scientific independence.

The loss of independent scientific advice began more than twenty years ago, when a radical change occurred in what was considered important research and how science was to be funded.

In the 1980s public-good program funding was replaced by funding for individual projects with limited lifetimes. Whole departments have since emerged with researchers dependent on maintaining a public profile for their work or risk becoming redundant. Furthermore, the salaries of individual scientists are now often funded as a part-charge against several different projects and they are encouraged to work in collaboration with other scientists through Cooperative Research Centres.

Much of CSIRO’s climate change research is now designed to grab media headlines, rather than to extend our knowledge of the natural world or to test falsifiable hypotheses. For example, two years ago a CSIRO report for the New South Wales government titled ‘Climate Change in New South Wales’ used scenario modelling to conclude that as a consequence of climate change there is potential for more frequent droughts, heat-waves, high waves, rainstorms and extreme winds—far from representing groundbreaking original research such statements merely represent speculation about one or a few possible climate futures.

If scientific independence is to be resurrected in Australia there will be a need to re-examine how science is funded and even encourage competition between government agencies and universities, while at the same time maintaining security of tenure for individuals. Indeed, it will require much more than press freedom to make science independent again.

J just before Christmas a directive from the new Federal Department of Innovation, Industry, Science and Research mandated that all ‘strategic’ media releases, including those dealing with climate change, must be consistent with the Government’s key messages and in particular be vetted by the Prime Minister’s office.

CSIRO flatly refused to comply and pointed out that Kevin Rudd had been a vocal critic of ‘science censorship and government spin’ while in opposition. This appears to be the end of the public spat, but it is unlikely to be the beginning of scientific independence.

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THE WORLD IS GETTING BETTER

Louise Staley
In 1850, London was a miserable place. A baby boy born in that year and at that location could only expect to live to 40. The world that baby was born into had raw sewage running in the streets, heavy fogs of air pollution and such putrid drinking water most people drank beer. A mere one hundred years later—within the lifetime of that baby's grandchildren—a child born in England could expect to live to 73.

The story of what happened to make this possible demonstrates the capacity of societies to adapt in positive ways to change and provides evidence to argue the future will be much brighter than the past.

The casual consumer of current affairs could be forgiven for concluding we are all going to hell in a handbasket—the never-ending procession of depressing stories report that there is a rainforest disappearing here or a famine there, the monotony only broken up with truly horrific disasters like the 2006 Boxing Day tsunami. And the solutions to future catastrophes proposed are even gloomier—Jared Diamond would like to force population control on the developing world, and rich countries seem intent on imposing a myriad of micro controls on consumer behaviour. But what all of these proposals share is a profound pessimism—at worst the world’s population has to reduce consumption (that is, wealth) substantially, and at best it just needs to share around the current amount. With all this gloom it is a rare person who thinks that, by and large, the massive gains in health and wealth over the past century will be repeated in this one.

But this pessimism doesn’t match the empirical evidence. Two recent books, Robert Fogel’s The Escape from Hunger and Premature Death, 1700-2100: Europe, America, and the Third World and Indr Goldany’s The Improving State of the World: Why We’re Living Longer, Healthier, More Comfortable Lives on a Cleaner Planet reveal that these perceptions do not match the reality. Contrary to the depressing prognostications of Ian Lowe, Al Gore, James Lovelock and Jared Diamond, the world is, indeed, getting better.

But just how these improving conditions reveal themselves is instructive. In the nineteenth century Dutch men were on average 164cm (5‘ 4”) tall. Today the average Dutch man is 181cm (6‘). All other rich nations show similar, if slightly less pronounced, increases in height. As Nobel Prize winning economist Robert Fogel shows in The Escape from Hunger and Premature Death, the reason for this dramatic height increase was the eradication of the persistent and prevalent malnutrition that existed prior to the industrial revolution. Fogel’s demonstrates clearly the link between economic development and nutrition. Until the 1880’s, most people just didn’t get enough food to do a full day’s work and as a result they were not productive as required to earn what they needed to buy enough to eat. This vicious circle existed until the massive leaps in productivity from the industrial revolution were coupled with the equally important transformations in public health and sanitation. Together, these factors meant that all people, most especially the poorest, had the energy to be productive members of society to the benefit of all.

How developing nations could go from wood-fired stoves to pink refrigerators in just 22 years

One of the outcomes of Fogel’s work is an understanding of the symbiosis between nutrition, sanitation and technological progress. Instead of technological improvements merely facilitating physiological improvements, for example when the invention of a vaccine eliminates a lethal disease, it now appears that improvements in nutrition and physiology contribute significantly to the process of economic growth and technological progress. By feeding the world properly the current enormous drain on the world’s resources through subsistence is eliminated enabling humanity to develop the technologies necessary to drive further advances in the future.

In his The Improving State of the World, Indur Goklany reveals that as societies get richer their impact on the environment at first goes up before declining significantly and then levelling out. At first, people place the highest priority on economic development—alleviating the cold is more important than avoiding bad air pollution from burning wood and coal inside the home—and due to lack of education or knowledge people may in fact be unaware of environmental problems. But as a society becomes wealthier and gains more knowledge, reducing environmental impacts rises on its priority list. Certainly, working out how to do so can be a slow process. As a consequence, those societies developing first take longer than those who can simply copy what worked—Japan’s rapid industrialisation after the Second World War benefited enormously from the experience of western industrialisation. What this means is that there is no logical reason to assume that today’s developing nations will need to wreak the environmental havoc seen when Europe and Northern America industrialised. Nor is there any necessity to attempt to limit China and India’s quest for developed world living standards. Indeed, the evidence from Fogel

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and Goklany suggests that the planet is best served by pursuing global growth towards new technological frontiers. If developing countries are allowed to pursue growth without being limited, then they will have a greater chance of lifting out of mass poverty to the point where they voluntarily seek improved environmental outcomes. A corollary of this is that the rules which the developed world attempts to impose upon developing nations will, in the long run, harm, rather than help the environment. For example, European import laws that force Chinese factories to match Europe’s air pollution standards reduce China’s growth and therefore reduce China’s capacity to lift very poor people out of poverty—rather than allowing China to decide when improving air pollution is a priority.

The advocates of imposing developed world environmental rules on the developing world assume that the only way to achieve improved environmental outcomes is to legislate. Yet this has not been the experience of the developed nations. Clean air and water laws were enacted in the United States in the early 1970’s, but the major improvements in cleaning up air and water-borne pollutants occurred much earlier. Indeed, most pollutants peaked in the 1950s and 1960s and declined thereafter—well before environmental legislation, as individuals and firms gave themselves the benefit of breathable air and safe drinking water. The force of law is useful in forcing laggards to catch up with society’s evolving standards but its main value comes after the society has voluntarily adopted those standards.

The group of activists who see the world as a glass half-empty have a patron saint in Thomas Malthus, the eighteenth century English economist most famous for predicting population growth will always outstrip food production leading to ‘gigantic inevitable famine.’ Today’s neo-Malthusians blame environmental problems as a product of population, affluence and technological progress, and believe that technology is unable to keep up with the destruction on the environment. They disregard the evidence that shows how rising affluence has been correlated with a cleaner environment in every society, and contend that humanity is now at a tipping point; unable to develop the needed new technologies to avert the apocalypse. And all this gloom is before any discussion of global warming evaporates what little joy remains for these doomsayers.

Goklany collects an impressive amount of evidence to refill the half-empty glasses of the pessimists. On every measure—life expectancy, healthiness, access to clean water, infant mortality, child labour or literacy rates—global measures of the human condition show an improvement, not backsliding. Most people alive today are poor, but they are less poor than they were and, with the sorry exception of sub-Saharan Africa, are continuing to both grow richer and dramatically improve the quality and length of their lives.

The pattern of improvement over even just the past fifty years is evident in many other key indicators of wellbeing—global infant mortality has fallen from 157 deaths per 1,000 live births to 57 today, about where the developed world was in 1955. Malnutrition has declined dramatically, particularly for the forty per cent of the planet’s
The causes of today’s poverty are well known: corrupt officials stealing resources, trade barriers stopping exports, poorly developed property rights and appalling infrastructure coupled with chronic malnutrition and disease, lack of sanitation and drinking water and significant illiteracy.

population living in China and India where food supplies have increased 80 per cent and 50 per cent respectively. Education is an important precondition for improvements in a range of life giving behaviours such as sanitation, nutrition and hygiene, as well as the key driver of technology adoption that leads to greater development. Between 1970 and 2000 global illiteracy rates dropped from 46 per cent to 18 per cent. Instead of almost half the world’s population being unable to read, that figure is now fewer than one in five.

For the first time in history less than fifty per cent of the world’s population are absolutely poor but even more revealingly, the absolute numbers of the poorest have stabilised since 1950 despite a doubling of the total human population in that time.

While income is not a perfect indicator of wellbeing, the biggest issue confronting the world’s leaders today must still be poverty reduction. Despite impressive advances over the past 50 years, 2.7 billion people lived on less than US$2 a day in 2001 while the comparable measure for the average person in a developed country is US$100 a day, fifty times that of the poorest. In a compelling rebuttal to the popular view that globalisation is driving inequality, average global income inequality has decreased over the past fifty years although remains at unacceptable levels.

There are persuasive reasons to believe that the eradication of utter poverty can be achieved over the next century. Doing so remains the single most humanitarian act possible. And it does not take heroic growth assumptions to envisage it. In his sweeping 2008 survey of global economic history, Contours of the World Economy, 1-2030 AD, Angus Maddison coalesces the current state of thought on long-run economic growth to venture into predicting the next thirty years. The world economy grew by 3.9 per cent annually from 1950 to 2003. The per capita GDP of poor countries more than trebled from US$1,094 to US$3,816 over that period despite a doubling of population. Over that period the average annual rate of GDP growth for poor countries was 4.3 per cent with China delivering an astounding 8.6 per cent annual growth since 1990. If we look forward to 2030—even if the annual growth rate for developing countries fell back to a much more conservative 3.5 per cent—22 years from now the average GDP per capita in poor countries in 2030 would be US$6,090, well above the average per capita value of the rich countries in 1950. In one generation, using growth assumptions well below what the countries are actually achieving today, all bar sub-Saharan Africa will be richer than Australia was in 1950.

Forecasting is an inexact science and averages can obscure wide variations within countries. However, without any doubt by 2030, on existing patterns, the number of people living in abject poverty will be less than a quarter of today’s number even despite continuing population growth in poor parts of the world. In 2030 there will still be 600 million very poor people, overwhelmingly in sub-Saharan Africa. But for almost everybody else life will be longer, healthier and easier. Women especially will face a brighter future with increased literacy rates and additional opportunities.

Importantly these predictions hold true irrespective of uncertainties over climate change—in fact, the greatest mitigation of the effects of climate change will come from economic growth providing currently extremely poor people with choices about where they live and how they earn a living.

But there are still barriers to poverty eradication

Despite the predictions of Malthus being utterly wrong for 200 years, his doom-saying descendants argue that his predictions will be nevertheless proved correct in the next fifty years—as population at last out runs food production. A key reason the world is apparently going to run out of food and become an environmental wasteland is attributed to the nouveau riche Indians and especially Chinese scoffing far more meat than in the past. In addition to the deep racism that consigns the currently poor to being ever poor in the name of environmental salvation, the facts do not meet the pessimists’ claims. Food remains cheaper than in 1960 when it was in turn cheaper than 1820. Indian agriculture was transformed by the green revolution from mass starvation in the mid 1960s when the US made vast emergency shipments to wade off widespread famine to be self-sufficient in grain by 1974. Chinese agriculture continues to make enormous advances in productivity as a range of modern agricultural practices are adopted. Developing world agricultural productivity still lags that of the developed world by a large factor strongly suggesting further possible yield growth from existing farmland.

Certainly, grain and oilseed prices have doubled in two years—evidence, say the sceptics, that we are eating more than is sustainable and there is little room for additional consumption. But most of the increase in the cost of grain and oilseed is not pressures of population but from policy decisions. Rich countries are taking massive tracts of prime farmland out of food production. Increasing amounts of oilseeds are grown not for food, but to support a misplaced policy of so-called energy security for the US and a warm feeling
tries to achieve the sorts of yields seen in developed countries and through technology diffusion to climb the productivity ladder much faster than the current leaders. Already China is the third biggest producer of GM crops in the world (after the US and Canada) and is aggressively buying premium genetics in dairy and beef cattle to improve its herds.

Feeding everyone adequately must be the key to creating the conditions whereby the entire planet is not dragged down by the environmental catastrophe caused by abject poverty. A bit of development can be an ugly thing for the environment as trees are cut down for firewood and to clear the land, fisheries are depleted, air pollution soars and waterways are fouled. The key to minimising those effects is to lift people out of poverty as rapidly as possible as they themselves will demand clean air and clean water as soon as they have the energy to do more than scratch out a bare living.

The causes of today's poverty are well known: corrupt officials stealing resources, trade barriers stopping exports, poorly developed property rights and appalling infrastructure coupled with chronic malnutrition and disease, lack of sanitation and drinking water and significant illiteracy. All of these obstacles inhibit the right of poor subsistence farmers, the world's poorest people, from escaping utter depredation.

The governments of the poorest nations—which by no coincidence are usually deeply corrupt dictatorships—are the root cause of poverty in the developing world. Nevertheless, increasingly the actions of rich outsiders, both nations and NGOs, must be blamed for exacerbating misery. Some non-government opponents of science have been remarkably successful at stopping beneficial developed world technology being used in the developing world. Two striking examples illustrate the rank hypocrisy of those who say they want to help the poor but act to harm them.

First is the successful banning of the pesticide DDT for malaria control by many developing countries' governments. This action was urged particularly by Scandinavian environmentalists. Today, malaria kills approximately 1.3 million people a year (by comparison there are an estimated 172,000 deaths from war annually). Yet malaria was eliminated from many countries by the use of DDT and no other method has been found to be as effective. Data from KwaZulu-Natal in South Africa showed around 600 cases in 1992. With DDT banned in 1996 the number of cases rose to 40,000 in 2000 when it was, thankfully, reintroduced. By 2002 the number of cases was 3,500.

Second are the actions by Greenpeace and Actionaid in 2002 to convince the increasingly dictatorial Zambian President to reject food aid for his starving people because it may have contained genetically modified (GM) maize. At the time some GM food had begun to be distributed and its withdrawal caused rioting. Zambia continues to suffer from mass starvation and its government continues to prefer the accolades of Greenpeace to feeding its people.

To meet the challenges of an increasingly richer population that will consume far greater quantities of food than is currently the case existing farmland will need to become more productive. As discussed above there is significant scope for developing countries to achieve the sorts of yields seen in developed countries and through technology diffusion to climb the productivity ladder much faster than the current leaders. Already China is the third biggest producer of GM crops in the world (after the US and Canada) and is aggressively buying premium genetics in dairy and beef cattle to improve its herds.

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Table 1: Cropland per person, 1700-2000

Table 2: Life expectancy at birth, 1725-1990

source: Fogel, *The Escape from Hunger and Premature Death, 1700-2100*

source: Goklany, *The Improving State of the World*
‘Sub-prime’ should not be the basis for increasing financial regulation

Sinclair Davidson

There really is nothing new under the sun. So too with financial crises and the responses to financial crises—the subprime crisis has resulted in calls for even more regulation. In Australia the Finance Sector Union will campaign for banks to change their lending practices so as to be more ‘responsible’. In other words, not only will borrowers have to convince their bank manager to give them a loan, they will have to convince a union official as well.

Debt is the world’s oldest financial instrument. The principles of debt are very simple and very clear. Individuals borrow money for a period of time, repay the money, and also pay a charge for the use of that money. Lenders need to be sure that the borrower can repay the loan. To be sure lenders can seize assets in lieu of the loan, but would always prefer to have the loan repaid rather than foreclose.

In the 1990s banks in the United States were often accused of ‘redlining’ or mortgage discrimination—basically, racism. Now the accusation is that lenders have lent too much, often to the same category of borrower. The process of lending has become more complicated over time—there are now sales agents, loan brokers, banks, ratings agencies and the like—but the principle remains the same. The loan needs be repaid.

Lenders in the US, and elsewhere, make loans and then securitise those loans and on-sell them. In other words, investors can buy a portfolio of loans. Some borrowers will always default on their loans, but most will not. When investors hold a portfolio of loans much of the individual risk of loan default will have been diversified away. This is called securitisation and is a valuable mechanism for transferring risk to those best placed to hold it. What has happened is that high-risk loans (sub-prime) have also been securitised and on-sold. It is important to understand that these loans are high-risk loans—the people receiving the loans have a poor credit history or have a high risk of default—despite the fact they may have investment grade ratings. To the extent individuals with a poor credit rating are likely to struggle financially in any economic downturn, so these securitised instruments are very sensitive to the economic cycle.

The cause of the crisis seems to be that many investors undervalued the risk of these instruments. True, many investors had relied excessively on the investment-grade ratings these instruments received. The point to remember, however, is that rating agencies provide an opinion; they do not provide a guarantee against investment losses. Many investors lost money because they didn’t do their own homework, and were seduced by apparently low-risk instruments offering high rates of return. It was too good to be true. But investors making poor investment choices should not be grounds for regulatory intervention.

The real regulatory danger is for borrowers. US regulators want to stop lenders from making loans that disregard borrowers’ ability to repay them. Australian unions share this remarkable ambition. The government wants to regulate against firms making unprofitable business decisions. There may well be individual cases of abuse, but the idea of widespread ‘predatory lending’ is pure class warfare. It is also inconsistent with previous claims of redlining.

Other arguments have been that individuals do not fully understand the terms of their mortgages and greater disclosure requirements are required. In particular, some US observers have argued that variable rate mortgages and low initial teaser rates are to blame for the crisis. Paul Krugman has referred to teaser rates as ‘exotic’ loans that constitute ‘abusive lending practices’. The ‘solution’ to this crisis has been to call for greater regulation and disclosure. US home owners, apparently, should not be offered variable rate mortgages. Nor should individuals with a poor credit history be offered a loan. Many people may well lose their homes. Many others, however, will have had a chance to buy a home they otherwise would never have had. Some, if not most, will succeed in buying their own home. Increased regulation that makes it hard to offer loans will simply crowd out individuals from the loans market and truly discriminate against the poor.

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How the government and unions help maintain Australia’s skills shortage

Ken Phillips
Australia is in the first phase of a demographically induced labour crunch. Labour shortages are not in the distance but are already upon us and will become worse.

These shortages are magnified because of the sustained economic boom being experienced particularly in the mining sector. But despite the manifest need for more workers, the Australian government has instituted a red tape laden system of temporary work visas which increases costs and restricts the ability to address the labour shortage.

The (global) skills shortage

In 2006 the oldest post war baby boomers turned 60. Consequently the biggest wave of workforce retirements since the Second World War has begun. Australian government figures predict a shortage of 195,000 workers by 2012 due to ageing alone.

At the same time the number of young people entering the labour market is collapsing. In 2006 about 160,000 new entrants came into the labour market. By 2012 that figure will have dropped to 50,000. It continues to decline and drops to a fluctuating low of between 20,000 and zero new job entrants each year for several decades after 2012. Over the next five years, Australia will be short 300,000 new job entrants when compared with existing numbers.

These immediate issues are dwarfed by the longer term trends. In 2002 there were 2.2 million Australians over the age of 65. That will increase to 6.2 million by 2042 representing close to 25 per cent of the population. In 2002 there were five working people to each person over 65. In 2042 there will only be 2.5 working people to each person over 65. We are confronted with a scenario of a boom in aged care needs with no one to care for the aged and comparatively few people working to sustain our economic wealth.

Fortunately, however, on the economic growth side Australia is surging but comments on this must factor in global unpredictability. The USA seems likely to experience a 2008 recession. Would this curtail China’s export led growth or would domestic Chinese consumption take off to keep China expanding? These are just some of the unknowns impacting on Australia’s economic health, particularly in the mining sector.

However mining expansion and investment is normally conducted on long term plans which factor in medium term market gyrations. And the plans in Australia are big. The mining industry alone predicts it needs 76,000 additional workers to operate 110 new projects and has no labour estimates for 130 projects. This does not take into account mine construction requirements, which are enormous. The fastest growth will be over the next four years.

BHP Billiton’s Roxby Downs uranium mine expansion is just one example. Construction is underway and presumably international market uncertainties will not stop the expansion. Global electricity demand is growing massively and large numbers of new nuclear power plants will have to be fed with uranium. Roxby Downs will need close to 1000 maintenance mechanics just to keep its fleet of mining trucks on the job. And the current expansion of the Gorgon gas project in Western Australia is anticipated to cost $10 billion and need over 9,000 construction workers.

In the non-mining sector current and planned government and private, non-mining infrastructure spending touches $300 billion. In the past five years the workforce in the housing and construction sector rose to more than one million. Further growth is locked in. Other sectors tell similar stories.

In this environment the challenges for the Rudd government are huge. It’s perhaps the best and worst of times to be governing. What would appear to be locked in economic growth and almost predetermined further drops in unemployment could easily be blown away by uncontrolled breakout in wage costs, igniting inflation and causing the Reserve Bank to escalate interest rates.

What cannot be ignored is the need to continue and probably expand the skilled migration program. Most acute labour shortages are in skilled areas. These can be partly addressed through better training and improved alignment of technical and university education to job market demands. But the collapse in the availability of young people for work (300,000 fewer between 2006-12) means training alone will not stop an expanding skills shortage.

The skills problems exist in many areas with an almost endless list of occupations. This includes chefs, bakers, electricians, maintenance mechanics, welders, fitters, train drivers and airline maintenance mechanics. Engineers of every sort are needed including design, construction and chemical. Specialised information technology personnel are in short supply. The health area has long had a problem and this is set to worsen and teacher availability problems have only just begun and are set to explode.

What is rarely understood in Australia is the extent to which the skills shortage is global. The tragedy of poverty in developing countries is that globally jobs are available but the poor don’t have the skills for the jobs that could be filled.

Globally the travel and airline industries are ex-

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panding at a rapid rate. Order books for new airlines are huge with the new Boeing Dreamliner and Europe’s Airbus alone escalating the demand for skilled staff that can keep the planes flying. Canadian and USA airlines are competing with the Singaporean Asian airline maintenance hub, for experienced airline maintenance engineers and aircraft sheet-metal workers. Qantas has a significant emerging problem as does the Australian Airforce.

Even China is starting to feel a skilled labour shortage. China has moved 120 million workers from rural areas to cities and 80 million to smaller towns to feed their expanding manufacturing and construction. But the government is predicting labour shortages by as early as 2009. Partly in response, regulated minimum wages in China were increased in 2006 and more regulated workers rights have been implemented regarding work safety, redundancies and employment contract fairness. But good managers and skilled workers are in short supply, even with an expansion of tertiary training and universities.

As developing economies expand, the demand for skilled workers will increase and the shortages will become progressively more global. The European Union has recently announced easing of restrictions on foreign skilled workers. Even with higher unemployment than Australia the EU has skilled worker shortages. This will worsen as the EU faces similar demographic issues to Australia.

How unions and governments encourage the skills shortage

For labour supply, Australia is operating in a fast moving international market. But our response has been bureaucratically overburdened.

In 1996-97 Australia’s skilled immigration was 30 per cent of total migrant intakes. By 2002-03 that had increased to over 60 per cent. In 2007 the number of permanent skilled migrants working in Australia exceeded 150,000. In 2006 the number of working holiday visas (backpackers) was 112,000 and student visas allowed to work up to 20 hours per work week was 190,000. These categories of working migrants into Australia have attracted little controversy.

Working students and backpackers have probably kept many coffee shop and tourist hotels operating, enabled much of our fruit crops to be picked and been the saviours of several domestic call centers. There have been little if any public campaigns alleging ‘exploitation’ of these people. But the temporary work visas known as 457s have been subject to extensive political campaigning against them.

The use of 457 visas has increased rapidly as skilled labour shortages has increased. In 2006 there were around 71,000 workers holding 457 visas, and

On any international comparison, recruiting of temporary workers into Australia is very expensive, and consumes much time and red tape.
in 2007 that number had rocketed up to 97,000. Despite being able to work in Australia for up to four years, most fill shorter term vacancies. State and local governments account for 10% of 457 visa holders who work in 170 hospitals, 170 schools and colleges, 35 universities and 60 separate government agencies.

Unions have not liked these temporary visa categories. They have alleged that the use of 457s by employers forces down wages, lowers occupational health and safety standards and causes worker exploitation. Indeed, based on newspaper reports there have been damning instances of employers blatantly breaching their 457 obligations, in some instances withholding pay from workers. But allegations of misuse of 457 visas have been leveled against only 180 employers out of 10,000 businesses using the system, and of those, only 30 per cent of the allegations were found to have some basis to them.

In its last term the Howard government sensed it was under significant political pressure over the 457 issue. They responded in 2007 by tightening eligibility requirements and costs and obligations on employers. Significant fines are now possible on employers for breaching 457 requirements. Regulations and proposed legislation impose new English level requirements on applicants, and employers must pay all recruitment costs and airfares and cover all medical expenses. (Medicare does not apply to 457 visa holders.) A special minimum wage has been chosen for 457 visa holders ($42,000 major cities and $37,000 regional areas) but, which is conservative given that the average 457 salary is well above this at $70,000.

The net effect is that recruiting of temporary workers into Australia is highly expensive on any international comparison and time and red tape consuming. Only one company worldwide is authorised to administer the English tests—as a consequence, delays of eight weeks to simply access testing are common. The total costs of recruiting and bringing in each employee on a 457 visa range from a minimum of $17,000 up to $30,000. And visa processing by the immigration department can take from three to ten weeks.

Political campaigning by unions has caused the government to increase 457 visa requirements and led to these significant cost and time increases. But many unions are motivated by their own self interest. Larger employers tend to seek temporary workers and this creates a competitive industrial relations situation for unions. Some unions believe they have a weaker industrial relations bargaining position when temporary overseas workers are used. The union strategy has been to tie 457 visa arrangements to union controlled labour agreements.

The New South Wales government assisted the meat worker union in 2007 in this regard by insisting they would not allow any 457 workers unless the meat companies signed NSW industrial arrangements, regardless of whether they were already registered with the federal industrial relations system.

The Howard government initiated a similar ploy just before the November 2007 election was called and effectively blocked the on-hire industry from using 457 visa holders. The government introduced surprise regulations that required on-hire companies to allocate 2 per cent of their total wages bill to training if they used even one 457 visa holder. This was effectively a discriminatory reintroduction of the failed compulsory training levy tried under the Keating government.

This move by the Howard government demonstrated just how politically panic stricken they were over the 457 visa issue and how totally ignorant the government was of practical business realities. For example in the information technology sector, most skilled technicians are engaged through multi-layered on-hire type arrangements a bit like a stock exchange process—a standard international industry practice. The on-hire companies specialise in managing the employment transaction and training is done either by the highly paid information technology (IT) specialists or the user companies. The new migration rules have effectively locked Australia out of the international market for IT labour, forcing significant IT projects offshore.

This sort of experience shows how the skilled migration issue needs to be handled with a calm attention to the labour shortages facing Australia.

Enabling skills shortages to be filled by overseas workers, is an important contributor to sustaining Australia’s current economic wealth and growth without allowing demographic, political and demand pressures to ignite wage created inflation. It’s an area where practical realities caused by demographic and economic growth pressures need to prevail over industrial relations power politics. It’s a challenge no matter what the political colour of the party in government.
The case for Free Immigration Agreements

John Humphreys

Free trade agreements (FTAs) between nations are becoming increasingly popular. FTAs allow for the relatively free flow of goods and services between the member countries in the recognition that such agreements are often in their mutual interests. The same rationale can be used regarding the free flow of people.

Economists disagree on many issues, but the net benefit of trade is one area that has overwhelming agreement. When people specialise in doing what they are relatively good at doing and trade voluntarily, there will be a net benefit. This simple yet powerful argument doesn’t just apply to trade in goods, but also extends to trade in capital goods—that is, foreign investment—and labour—immigration.

The economic benefits of immigration are clear—free trade in labour leads to a more efficient labour market and a more efficient allocation of resources. This results in higher average incomes and lower prices for consumer goods. But there is also the possibility of significant social benefits as people are freer to choose between lifestyles, communities, jobs, political jurisdictions and environments.

However, like free trade and open foreign investment, open immigration is not a politically viable option. While open immigration would provide a net benefit, it would also create winners (such as new immigrants, employers and consumers) and (at least in the short-term) losers. There is a fear that immigrants from developing countries will accept lower wages and therefore steal ‘Australian’ jobs and drive down Australian wages. This will negatively impact on low-skilled Australian workers, who form a powerful political pressure group against open immigration.

But these concerns are very similar to the concerns held by some people about free trade. While unilateral and multilateral free trade creates unambiguous net benefits, those who think (correctly or not) that they will lose have presented an insurmountable political impediment.

The reaction with trade negotiations has been the explosion in the number of bilateral free trade agreements, which are politically easier to achieve. Between 1994 and 2004 the number of FTAs reported to the World Trade Organisation (WTO) went from around 50 to over 200. Australia already has agreements with New Zealand, Singapore, Thailand and America and is currently negotiating with India, Indonesia, Korea, Japan, the Association of South-East Asian Nations, Malaysia, the Gulf Cooperation Council, China and Chile.

FIAs are better than FTAs

The argument for ‘free immigration agreements’ (FIAs) is actually stronger than the argument for FTAs. There are two reasons for this. First, the possibility of multilateral free trade is much more realistic than the possibility of open immigration in the near future. Therefore, alternative strategies are more important for those concerned about immigration.

Second, FTAs suffer from the possibility of trade diversion which can mean that they can create a net cost. This isn’t true for FIAs. To understand why, it is necessary to understand what is meant by ‘trade diversion’.

Trade diversion occurs when new trade with an inefficient country comes at the expense of old trade with an efficient country. For example, if we introduce an FTA with India, trade with India might increase by $1 billion. If nothing else happened, this would be trade creation. However, if trade with Pakistan decreased by $1 billion then the trade has simply been diverted and there is no trade creation.

Trade diversion costs Australia when the benefit of the new trade (a lower price for consumers) is exceeded by the cost of losing the old trade (lost tariff revenue). It is important to note that if there are no tariffs then trade diversion is not a problem. The immigration restrictions in Australia are currently based on a quota system (not a tariff system) so there would be no loss of tariff revenue if we relaxed our immigration restrictions on some people. Consequently, free immigration agreements will not suffer from diversion and will always provide an economic benefit.

In addition to the above-mentioned ‘trade’ benefits of greater labour mobility, there are other potential consequences. There is a growing body of evidence that suggests that trade also leads to a dynamic ‘competition’ benefit. This occurs when new entrants into a market (in this case, the labour market) increase competitive pressure which leads to greater productivity. Ironically, this can sometimes lead to a situation where the previously protected market gains from lower protection.

One good example of this dynamic benefit is the removal of protection for farmers in New Zealand. In the 1980s the NZ government dramatically opened up the country to agricultural trade. The official prediction was for 10 per cent farm failures, but instead the industry grew by 40 per cent in 15 years, increased its full-time employment and saw productivity growth increase from 1 per cent to nearly 6 per cent per year.

Standard economic models would not have predicted this outcome because they ignore the potential dynamic benefits of increased competition. Likewise, standard economic analyses of immigra-
tion have ignored the potential dynamic benefits of increased labour mobility. It is possible that greater competition in the labour market will lead to productivity increases by Australian workers which leave them better off, just as greater farm competition in New Zealand ended up helping the NZ farm industry.

If dynamic benefits are real, then the benefits from immigration will be higher than expected and the ‘losers’ might end up being the biggest winners from reform. However, it is important to remember that even if the dynamic benefits don’t exist, immigration still provides a net benefit from the first-round ‘trade’ impact as predicted in standard trade theory.

The spectre of more immigration scares many people. In addition to the fear of new immigrants stealing ‘Australian’ jobs and driving down Australian wages there is a legitimate fear that new immigrants might fail to get a job and become a burden on our welfare system, and therefore on Australian taxpayers. Some people have concerns about the possibility of low-income ghettos, the undermining of our democracy, rapid social change and the potential for crime and/or cultural clashes.

It would be possible to introduce FIAIs in a way that removed most of these costs, while providing the benefits of freer movement of people. FIAIs could be negotiated with countries that share our basic values (rule of law, democracy) and only in situations where there is no expectation of a large surge of immigration. In most cases, this would require that the partner country has a standard of living similar to Australia.

Another advantage of liberalising immigration through FIAIs is that it can be done in gradual steps to allow the rate of social and cultural change to be managed, and let people see the actual benefits of free people movement in clear experiments.

Finally, migrants moving between FIAI countries would be free to take on the rights of a permanent resident to live and work anywhere in Australia for an unlimited amount of time, but would retain the citizenship of their home country. This would mean that they could be deported if they committed a major crime and would not be able to subvert our democratic system through a sudden and/or coordinated movement of people.

It would also be possible to arrange the FIA so that welfare rights are limited to their country of citizenship, not residency. This would remove any concerns about people switching countries for higher welfare payments. In this regard, it is important to remember that the benefits of immigration come from the freedom to live and work wherever is most appropriate, not the freedom to move to high-welfare jurisdictions.

**The next step**

The idea of FIAIs isn’t new. Australia already has a comprehensive FIA agreement with New Zealand as part of our free trade agreement called ‘Closer Economic Relations’. The citizens of Australia and New Zealand can move relatively freely between the two countries to the benefit of both.

Future FIAIs would be individually and carefully assessed on their merits. Like trade agreements, the devil is often in the detail, so it is impossible to know the relative merits of different agreements until the process has started. The suggestion in this article is that Australia should start to be pro-active in searching out appropriate partners for FIAIs. Good potential candidate countries for an FIA include Singapore, Canada, Hong Kong, the United Kingdom, Ireland and the Netherlands among others.

The benefits of trade and immigration are clear and worth pursuing. The challenge for policy makers now is to find politically acceptable reforms that can move us in the right direction. The example of bilateral trade agreements shows that such agreements are potentially an easier avenue for real liberalisation. It is worth pursuing a similar tactic with immigration reform.
History as if policy mattered

On tariffs and immigration, party reputations don’t match their records

Richard Allsop

Two of the most fundamental liberal freedoms are the free movement of people and goods across borders. In Australian politics, individuals of liberal persuasion have always struggled to find one side of politics that has reliably supported both increased immigration and lower tariffs at the same time. However, our two major political parties have had such a remarkably consistent record that one can confidently say:

- immigration will always be higher under a Liberal government and;
- tariffs will always be lower under a Labor government.

This may seem counter-intuitive, but the lesson of history is clear. When it comes to the movement of people and goods the Liberal Party is the party of social liberalism and the Labor Party is the party of economic liberalism. Of course there have been exceptions—most notably the post-war migration expansion commenced under the Chifley Labor government, but this was certainly an exception to the general rule.

After all, it was the early Australian Labor Party (ALP) that was one of the strongest advocates of the White Australia Policy and their opposition to coloured immigration extended, at many times, to all immigration. During the 1920s Labor branded the Bruce-Page Nationalist government’s expansionist immigration policy as a capitalist device to flood the labour market, provide cheap labour to sweating employers, and reduce working class living standards.

Under Jim Scullin’s Labor government, the number of assisted immigrants was slashed from 13,000 in 1929 to 175 in 1932, admittedly in the period of the depression. When, in 1938, the United Australia Party Prime Minister Joe Lyons announced the resumption of assisted British migration, the ALP was quick to voice its traditional opposition.

It is not only in increasing numbers that liberal politicians were better, but also in having a more tolerant attitude to non-white immigration. The early federal parliament’s soundest free trader, Bruce Smith, was also a rare opponent of the White Australia Policy. Prime Minister Stanley Melbourne Bruce in the 1920s eased restrictions on the immigration of Indian wives, while the Lyons government eased restrictions on Chinese migration in 1934, allowing the migration of Chinese chefs and the introduction of assistants to other Chinese businesses.

Of course, it was a Labor government and its Immigration Minister, Arthur Calwell which instigated the major post-war immigration program. However, it should be noted that Calwell had to overcome significant opposition in cabinet, in particular to the inclusion of large numbers of eastern European refugees. Calwell himself remained a supporter of the White Australia Policy and was ruthless in prosecuting individual cases. While the Liberal opposition gave full support to expanding the immigration program, they also attacked Calwell for his inhumanity to post-war Asian refugees.

On coming to power in 1949, the Menzies government increased both the overall numbers of incoming migrants and the range of source countries, the latter by negotiating assisted immigration agreements with many other countries. Broadening the range of countries from which migrants came was not something which appealed to Labor. Their 1950s leader ‘Doc’ Evatt campaigned for the proportion of British migrants to be raised from 50 to 60 per cent, claiming that Mediterranean migrants lacked skills and those from Eastern Europeans were right-wingers. All suffered in Evatt’s eyes by being Catholic.

Indeed, it was a point of distinction between the ALP and the Democratic Labor Party that the supposedly more right-wing party was the one which wished to get rid of the White Australia Policy. As abolition of the policy began to gain traction, the ALP went as far as expelling several party members in 1962 for supporting the Immigration Reform Association.

It was under the Holt government that the White Australia Policy was effectively ended and it was also the Liberal governments of the late 1960s that boosted immigration numbers to new record highs, peaking at 185,099 permanent settler arrivals in 1969-70.

While the Whitlam government is remembered for removing the last vestiges of the White Australia Policy, less readily recalled is the fact that one of their first acts was to cut the planned immigration intake for 1972-73 from 140,000 to 110,000. Then, when the government’s economic policies began to see rises in unemployment, they had no compunction in further cutting the intake to a measly 50,000. And as if to emphasise just how anti-immigrant they were, the Whitlam government even abolished the Department of Immigration.

Immigration levels were rebuilt under
Malcolm Fraser’s Liberal government with both strong humanitarian intakes of Vietnamese boat people and, for at least a period in 1980-82, a boost in skilled migration. Immigration was back to almost 120,000 in 1981-82.

Gough Whitlam was a virulent opponent of letting Vietnamese refugees into Australia, only allowing in one thousand in 1975 (the year of the fall of Saigon) and continuing to criticise their arrival in opposition. There were some elements within the Labor Party who supported a more compassionate policy, but Whitlam rejected the refugees (in a similar manner to Evatt in the 1950s) largely it seems on the basis that they were likely to be Liberal voters. He was even wrong about that. Whitlam was not alone in holding this view in Labor circles—waterside workers in Darwin went on strike in protest at the arrival of the refugees.

Labor’s next Prime Minister, Bob Hawke, proclaimed himself to be a high immigration man. Several years of low immigration in the first half of his Prime Ministership might have called this into question, but strong increases in the late 1980s probably justified his claims. Nevertheless, normal Labor form was re-established when Paul Keating succeeded Hawke in late 1991. It has been claimed that maverick right-winger, Graeme Campbell, changed his vote from Hawke to Keating in the leadership ballot largely because he thought Keating would cut immigration. He was not to be disappointed, with the reduction in incoming migrants of 31,000 in 1992-93—a thirty per cent decrease, and the largest cut since Whitlam.

The Howard government, like all its Liberal predecessors was a high immigration government, particularly in its latter stages, topping 140,000 in its final full year 2006-07. It was under Howard that, for the first time since federation, the overseas born proportion of the population exceeded 24 per cent and it was also under Howard that the non-European component of the overseas born went above 50 per cent for the first time. And as well as increasing overall numbers, the Howard government progressively increased the refugee intake from 3,802 in 1999-2000 to 6,022 in 2005-06. As journalist George Megalogenis, sagely commented in his 2006 book The Howard Factor ‘the former Hansonite belt… think Howard is keeping out all the foreigners, when he is bringing them here at a rate Paul Keating never contemplated’.

The past three coalition governments have had final (that is, their last full financial year in power) immigration numbers of 132,719 (McMahon), 118,031 (Fraser) and 140,148 (Howard); the last two Labor governments have had 89,147 (Whitlam) and 87,428 (Keating). The pattern is clear.

While its view on immigration was clear at the time of federation, the Labor Party vacillated between free trade and protectionism; its members tending to follow the prevailing orthodoxy in their home colonies. One of the key reasons for the triumph of protectionism in the first federal decade was the success the Protectionist Party had in co-opting Labor to its cause. This strategy triumphed in the New Protection of 1908, which saw a link established between industry protection and the payment of protected wages to the employees in those industries.

After the 1908 settlement of the tariff question, the first major increases to tariffs came during the Nationalist governments of Hughes and Bruce, with the average tariff level almost doubling during the 1920s. Indeed, it was under Hughes in 1921 that the Tariff Board was established, a body which for the first forty years of its existence was avowedly protectionist in nature. Of course, by the 1920s the Country Party had arrived on the political landscape, reinforcing the protectionist nature of the non-Labor parties.

Just as Calwell and Hawke presented a degree of Labor exceptionalism on immigration, so did Scullin on tariffs. Massive increases in tariffs were part of his failed policy response to the Depression. The next Labor governments of Curtin and Chifley did not make major alterations to tariff policy and their 1945 White Paper on employment was quite moderate in tone on issues of protection for Australian industry.

Menzies is remembered as the founder of the current Liberal Party. He also left a legacy of protectionism that still has not been completely eradicated from his party. The 1950s and 1960s were generally decades of world trade liberalisation and so Australia’s protectionism meant that by 1970 it had the second highest tariffs in the industrialised world—only behind New Zealand.

In 1952, general import restrictions were introduced, and an elaborate administrative scheme of import controls and quotas was established under the Department of Trade and Customs. This was meant to be a short term reaction to a balance of payments crisis, but as restrictions were gradually removed, and import licensing abolished in 1960, the demands for tariff protection continually increased.

While the ‘protection all round’ ethos of the time is most associated with Country Party leader John McEwen (to the extent of being known as McEwenism), the Liberal Party were generally willing colleagues. The one standout opponent was Bert Kelly, who tirelessly raised the arguments of why protection was actually harming the Australian economy. By the end of the 23 years of coalition rule, Prime Minister Billy McMahon had been showing some signs of agreeing with Kelly, but as Leon Glezer wrote in his 1982 survey Tariff Politics: Australian Policy Making 1960-1980, the next Liberal prime minister, Malcolm Fraser, had ‘party and business links that nurtured the manufacturers’ preferences within the party’.

The one bright spot in this protectionist era was the Whitlam government’s across-the-board 25 per cent cut in tariffs in 1973. The political problems that this liberalisation created led to some back-sliding in the government’s later days.
Other than the brief Whitlam interlude, there were Liberal governments in Australia for 31 out of 34 years to 1983. They bequeathed an effective rate of protection for manufacturing that averaged 19 per cent, with the highest rates in clothing and footwear (192 per cent) and textiles (68 per cent). Remarkably, Australia was the only OECD country where the average tariff on imports increased between 1965 and 1985. In that same period, Finland, which like Australia in 1965 had an average tariff of around 10 per cent, had by 1985 reduced it to one per cent.

The Hawke and Keating governments ripped up the protectionist model that had been an inherent part of the Australian settlement since federation. The average rate of protection fell to six per cent in 1992 and further ambitious changes announced in their March 1991 industry policy saw it planned to fall to under three per cent in 2000.

Just as the Hawke government followed more liberal policies on immigration than its Labor predecessors, so the Howard government also was much more liberal on trade policy than its coalition predecessors. It maintained the Labor tariff reductions on 1 July, 1996 and rarely moved in a more protectionist direction.

However, more true to historic form, the Howard government did delay the implementation of some further tariff reductions. In 2000, it vetoed the Productivity Commission recommendation to reduce the general tariff from five per cent to zero and also delayed—to what has proved to be beyond its own life—further cuts to motor vehicle and textile, clothing and footwear (TCF) tariffs. Under the current policy, passenger motor vehicle tariffs and some TCFs will fall to five per cent in 2010; the remaining TCFs will be reduced to five per cent in 2015.

The phenomenon of the ‘unlikely’ party initiating reform is not new. The greatest of all advocates of free trade, Richard Cobden, observed late in his life that it had been no coincidence that it had been under the unlikely stewardship of Robert Peel that the Corn Laws were repealed, as earlier the Duke of Wellington had overseen Catholic Emancipation. Cobden believed that the ‘unlikely’ government had the advantage when implementing good reform of being sure of the support of the honest advocates of the policy they adopted, even though they were nominally in the ranks of their opponents.

This is much the role that the Liberal opposition played between 1983 and 1996 in supporting much of the economic reform (including lowering tariffs) of the Hawke and Keating governments. That period reinforced what now needs to be understood by every member of the new federal opposition—that supporting good policy is as much the obligation of an opposition as it is of a government.

One hopes that the Rudd Government can overturn a century of Labor history and continue our current high immigration intake. At the very least, it will hopefully maintain the tariff-cutting zest of the Whitlam and Hawke/Keating governments. It is perhaps just as important that the opposition supports them.
Hugh Tobin: Every generation brings with it new stereotypes. Fashions and drugs might change, but not much else does. Ravers—people who have a passion for dancing and electronic music, and are often stereotyped as drug users—are just another social fad and they deserve no more special attention than the next group. However, ravers and rave organisers have often been the victims of unwarranted police targeting and infringements on their civil rights in the name of ‘law and order’.

Organisers at a rave held in rural Victoria in December were called on to pay the costs of the emergency services costs when 14 people overdosed on illicit drugs at the event. The local council plans to present the organisers of the Ultraworld festival with a bill and expects that they should contribute to the costs incurred by emergency agencies.

Also as a result of the overdoses, the Ballarat health services want all future raves at the site to be banned.

Dance festivals around the world have come under special attention from the media and law enforcement agencies in recent times, particularly due to common reports in the media of overdoses on the drug Gamma Hydroxybutyrate (GHB). Despite a dance scene which prides itself on tolerance, freedom and love, all ravers now seem to be labeled as filthy drug criminals—just another social fad and they deserve no more special attention than the next group. However, ravers and rave organisers have often been the victims of unwarranted police targeting and infringements on their civil rights in the name of ‘law and order’.

In response, governments around the world are trying to pass the responsibility for law enforcement onto event organisers and nightclub owners and hold them liable if they fail to control the problem. But law enforcement should be a police matter—it is individuals who should be held responsible for breaking the law at events, not event organisers who have little ability or moral responsibility to influence such behaviour.

In 2003 the United States passed the Drug Anti-Proliferation Act (commonly known as the RAVE Act) which is accused of making it easy for the federal government to prosecute innocent business owners for the drug offenses of their customers. Similar legislation has been common since the United Kingdom first recognised raves in law with the Criminal Justice and Public Order Act 1994 which gave the police powers to ‘remove persons attending or preparing for a rave.’ That legislation gave the police powers to remove ravers from public land when they were ‘likely to cause serious distress to the inhabitants of the locality.’

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The RAVE Act targeted rave culture including legally sold fashion accessories because it considered them to be drug paraphernalia. In its prologue, the legislation recommended that prosecutors should take into consideration the sale of water and the presence of glowsticks and even menthol nasal inhalers because they provided evidence of promoters encouraging drug trafficking at events. Glowsticks are often used at raves in a type of dance called glowsticking. (Public resistance to the drug paraphernalia section eventually led to these arcane requirements.)

The current methods used by police for catching drug dealers at events are inefficient, expensive and, for the most part, ineffective.

If the police are serious about the drug problem, then surely the huge amounts of resources dedicated to drug detection at raves would be better spent on more drug buses outside the events which would actually better protect the community from the consequences of drugs, or by being put towards large scale drug detection where police might find real drug dealers with millions of ecstasy tablets, rather than a small bag of them stuffed down some junky’s underwear.

A few changes to the permits for these events can ensure that they go ahead with less risk to the health of the attendees and less cost to the community. If event organisers banned pass-outs, this could stop ravers from stashing drugs in their cars and going back and forth between the rave in order to avoid detection by the police. This would provide real results, rather than just creating photo opportunities for the police.

Raves are not an important target in combating the drug problem and little, if anything, comes out of having sniffer dogs present at a large expense to the community. A sniffer dog costs up to $100,000 to train and also requires a paid handler. A report by the New South Wales ombudsman in 2006 found that in NSW out of over 10,000 people identified by sniffer dogs as potentially carrying drugs between 2002 and 2004 only 19 were successfully prosecuted for supplying drugs. The study also found that only about 20-30 per cent of those identified by sniffer dogs are in possession of drugs and yet the other 70 or so per cent of individuals can be subjected to the indignity and harassment of being questioned and searched.

If police with sniffer dogs at an event can’t deter individuals from taking drugs then it is hard to fathom what other steps organisers can take.

There is nothing that distinguishes a raver from other people. Sniffer dogs don’t harass people at pubs or at the Melbourne Spring Carnival or in their office jobs. Drug use at raves is a byproduct of a wider drug problem, and not the cause of it.
Europe’s philosophy of failure

Stefan Theil

In France and Germany, students are being forced to undergo a dangerous indoctrination. Taught that economic principles such as capitalism, free markets, and entrepreneurship are savage, unhealthy, and immoral, these children are raised on a diet of prejudice and bias.

Rooting it out may determine whether Europe’s economies prosper or continue to be left behind.
Millions of children are being raised on prejudice and disinformation. Educated in schools that teach a skewed ideology, they are exposed to a dogma that runs counter to core beliefs shared by many other Western countries.

They study from textbooks filled with a doctrine of dissent, which they learn to recite as they prepare to attend many of the better universities in the world. Extracting these children from the jaws of bias could mean the difference between world prosperity and menacing global rifts. And doing so will not be easy. But not because these children are found in the madrasas of Pakistan or the state-controlled schools of Saudi Arabia. They are not. Rather, they live in two of the world's great democracies—France and Germany.

What a country teaches its young people reflects its bedrock national beliefs. Schools hand down a society's historical narrative to the next generation. There has been a great deal of debate over the ways in which this historical ideology is passed on—over Japanese textbooks that downplay the Nanjing Massacre, Palestinian textbooks that feature maps without Israel, and new Russian guidelines that require teachers to portray Stalinism more favourably.

Yet there has been almost no analysis of how countries teach economics, even though the subject is equally crucial in shaping the collective identity that drives foreign and domestic policies.

Just as schools teach a historical narrative, they also pass on 'truths' about capitalism, the welfare state, and other economic principles that a society considers self-evident. In both France and Germany, for instance, schools have helped ingrain a serious aversion to capitalism. In one 2005 poll, just 36 per cent of French citizens said they supported the free-enterprise system, the only one of 22 countries polled that showed minority support for this cornerstone of global commerce. In Germany, meanwhile, support for socialist ideals is running at all-time highs—47 per cent in 2007 versus 36 per cent in 1991.

It's tempting to dismiss these attitudes as being little more than punch lines to cocktail party jokes. But their impact is sadly and seriously self-destructive. In Germany, unemployment is finally falling after years at Depression-era levels, thanks in no small part to welfare reforms that in 2005 pressured Germans on the public dole to take up jobs. Yet there is near consensus among Germans that, despite this happy outcome, tinkering with the welfare state went far beyond what is permissible. Chancellor Angela Merkel, once heralded as Germany's own Margaret Thatcher, has all but abandoned her plans to continue free-market reforms. She has instead imposed a new 'rich people tax,' has tightened labor-market rules, and has promised renewed efforts to 'regulate' globalisation. Meanwhile, two in three Germans say they support at least some of the voodoo-economic, roll-back-the-reforms platform of a noisy new anti-globalisation political party called Die Linke (The Left), founded by former East German communists and Western left-wing populists.

Many of these popular attitudes can be traced to state-mandated curricula in schools. It is there that economic lessons are taught that diverge substantially from the market-based principles on which the Western model is based. The phenomenon may hardly be unique to Europe, but in a few places it is more obvious than in France and Germany. A biased view of economics feeds into many of the world's most vexing problems, from the growth of populism to the global rise of anti-American, anti-capitalist attitudes.

**Economics a la carte**

‘Economic growth imposes a hectic form of life, producing overwork, stress, nervous depression, cardiovascular disease and, according to some, even the development of cancer,’ asserts the three-volume *Histoire du XXe siècle*, a set of texts memorised by countless French high school students as they prepare for entrance exams to Sciences Po and other prestigious French universities. The past 20 years have ‘doubled wealth, doubled unemployment, poverty, and exclusion, whose ill effects constitute the background for a profound social malaise,’ the text continues. Because the 21st century begins with ‘an awareness of the limits to growth and the risks posed to humanity [by economic growth],’ any future prosperity ‘depends on the regulation of capitalism on a planetary scale.’ Capitalism itself is described at various points in the text as ‘brutal,’ ‘savage,’ ‘neo-liberal,’ and ‘American.’ This agitprop was published in 2005, not in 1972.

When French students are not getting this kind of wildly biased commentary on the destruction wreaked by capitalism, they are learning that economic progress is also the root cause of social ills. For example, a one-year high school course on the inner workings of an economy developed by the French Educa-

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tion Ministry called *Sciences Economiques et Sociales*, spends two thirds of its time discussing the sociopolitical fallout of economic activity. Chapter and section headings include ‘Social Cleavages and Inequality,’ ‘Social Mobilisation and Conflict,’ ‘Poverty and Exclusion,’ and ‘Globalisation and Regulation.’ The ministry mandates that students learn ‘worldwide regulation as a response’ to globalisation. Only one third of the course is about companies and markets, and even those bits include extensive sections on unions, government economic policy, the limits of markets, and the dangers of growth. The overall message is that economic activity has countless undesirable effects from which citizens must be protected.

No wonder, then, that the French default attitude is to be suspicious of market forces and private entrepreneurship, not to mention any policies that would strengthen them. Start-ups, *Histoire du XXe siècle* tells its students, are ‘audacious enterprises’ with ‘ill-defined prospects.’ Then it links entrepreneurs with the tech bubble, the Nasdaq crash, and mass layoffs across the economy. (Think ‘creative destruction’ without the ‘creative.’) In one widely used text, a section on technology and innovation does not mention a single entrepreneur or company. Instead, students read a lengthy treatise on whether technological progress destroys jobs. In another textbook, students actually meet a French entrepreneur who invented a new tool to open oysters. But the quirky anecdote is followed by a long-winded debate over the degree to which the modern workplace is organised along the lines imagined by Frederick Taylor, the father of modern scientific management theory. And just in case they missed it in history class, students are reminded that ‘cultural globalisation’ leads to violence and armed resistance, ultimately necessitating a new system of global governance.

This is a world apart from what American high school students learn. In the United States, where fewer than half of high school students take an economics course, most classes are based on straightforward, classical economics. In Texas, the state-prescribed curriculum requires that the positive contribution of entrepreneurs to the local economy be taught. The state of New York, meanwhile, has coordinated its curriculum with entrepreneurship-promoting youth groups such as Junior Achievement, as well as with economists at the Federal Reserve. Do American schools encourage students to follow in the footsteps of Bill Gates or become ardent fans of globalisation? Not really. But they certainly aren’t filling students with negative preconceptions and suspicions about businesses and the people who run them. Nor do they obsess about the negative side effects and dangers of economic activity the way French textbooks do.

French students, on the other hand, do not learn economics so much as a very specific, highly biased discourse about economics. When they graduate, they may not know much about supply and demand, or about the workings of
Start-ups, *Histoire du XXe siècle* tells its students, are ‘audacious enterprises’ with ‘ill-defined prospects.’ Then it links entrepreneurs with the tech bubble, the Nasdaq crash, and mass layoffs across the economy.

a corporation. Instead, they will likely know inside-out the evils of ‘la McDonaldisation du monde’ and the benefits of a ‘Tobin tax’ on the movement of global capital. This kind of anticapitalist, anti-globalisation discourse isn’t just the product of a few aging 1968ers writing for *Le Monde Diplomatique*; it is required learning in today’s French schools.

**Learning to love the dole**

Germans teach their young people a similar economic narrative, with a slightly different emphasis. The focus is on instilling the corporatist and collectivist traditions of the German system. Although each of Germany’s 16 states sets its own education requirements, nearly all teach through the lens of workplace conflict between employer and employee, the central battle being over wages and work rules. If there’s one unifying characteristic of German textbooks, it’s the tremendous emphasis on group interests, the traditional social-democratic division of the universe into capital and labour, employer and employee, boss and worker. Textbooks teach the minutiae of employer-employee relations, workplace conflict, collective bargaining, unions, strikes, and worker protection. Even a cursory look at the country’s textbooks shows that many are written from the perspective of a future employee with a union contract. Bosses and company owners show up in caricatures and illustrations as idle, cigar-smoking plutocrats, sometimes linked to child labour, Internet fraud, cell-phone addiction, alcoholism, and, of course, undeserved layoffs. The successful, modern entrepreneur is virtually nowhere to be found.

German students will be well-versed in many subjects upon graduation; one topic they will know particularly well is their rights as welfare recipients. One 10th-grade social studies text titled FAKT has a chapter on ‘What to do against unemployment.’ Instead of describing how companies might create jobs, the section explains how those without jobs can organise into self-help groups and join weekly anti-reform protests ‘in the tradition of the East German Monday demonstrations’ (which in 1989 helped topple the communist dictatorship). The not-so-subtle subtext? Jobs are a right to be demanded from the government. The same chapter also details various welfare programs, explains how employers use the threat of layoffs as a tactic to cut pay, and concludes with a long excerpt from the platform of the German Union Federation, including the 30-hour work week, retirement at age 60, and redistribution of the work pie by splitting full-time into part-time jobs. No market alternative is taught. When FAKT presents the reasons for unemployment, it blames computers and robots. In fact, this is a recurring theme in German textbooks—the Internet will turn workers into ‘anonymous code’ and kill off interpersonal communication.

Equally popular in Germany today are student workbooks on globalisation. One such workbook includes sections headed ‘The Revival of Manchester Capitalism,’ ‘The Brazilianization of Europe,’ and ‘The Return of the Dark Ages.’ India and China are successful, the book explains, because they have large, state-owned sectors and practice protectionism, while the societies with the freest markets lie in impoverished sub-Saharan Africa. Like many French and German books, this text suggests students learn more by contacting the antiglobalisation group Attac, best known for organising messy protests at the annual G8 summits.

One might expect Europeans to view the world through a slightly left-of-center, social-democratic lens. The surprise is the intensity and depth of the anti-market bias being taught in Europe’s schools. Students learn that private companies destroy jobs while government policy creates them. Employers exploit while the state protects. Free markets offer chaos while government regulation brings order. Globalisation is destructive, if not catastrophic. Business is a zero-sum game, the source of a litany of modern social problems. Some enterprising teachers and parents may try to teach an alternative view, and some books are less ideological than others. But given the biases inherent in the curricula, this background is unavoidable. It is the context within which most students develop intellectually. And it’s a belief system that must eventually appear to be the truth.

**Can Old Europe do new tricks?**

This bias has tremendous implications that reach far beyond the domestic political debate in these two countries. These beliefs inform students’ choices in life. Taught that the free market is a dangerous wilderness, twice as many Germans as Americans tell pollsters that you should not start a business if you think it might fail. According to the European Union’s internal polling, just two in five Germans and French would like to be their own boss, compared to three in five Americans. Whereas 8 per cent of Americans say they are currently involved in starting a business, that’s true of only 2 per cent of Germans and 1 per cent of the French. Another 28 per cent of Americans are considering starting a business, compared to just 11 per cent of the French and 18 per cent of Germans. The loss to Europe’s two largest economies in terms of jobs, innovation, and economic dynamism is severe.

Attitudes and mind-sets, it is increasingly being shown, are closely relat-
Edmund Phelps, a Columbia University economist and Nobel laureate, contends that attitudes toward markets, work, and risk-taking are significantly more powerful in explaining the variation in countries’ actual economic performance than the traditional factors upon which economists focus, including social spending, tax rates, and labour-market regulation. The connection between capitalism and culture, once famously described by Max Weber, also helps explain continental Europe’s poor record in entrepreneurship and innovation. A study by the Massachusetts-based Monitor Group, the Entrepreneurship Benchmarking Index, looks at nine countries and finds a powerful correlation between attitudes about economics and actual corporate performance. The researchers find that attitudes explain 40 per cent of the variation in start-up and company growth rates—by far the strongest correlation of any of the 31 indicators they tested. If countries such as France and Germany hope to boost entrepreneurship, innovation, and economic dynamism—as their leaders claim they do—the most effective way to make that happen may be to use education to boost the cultural legitimacy of going into business.

The deep anti-market bias that French and Germans continue to teach challenges the conventional wisdom that it’s just a matter of time, thanks to the pressures of globalisation, before much of the world agrees upon a supposedly ‘Western’ model of free-market capitalism. Politicians in democracies cannot long fight the preferences of the majority of their constituents. So this bias will likely continue to circumscribe both European elections and policy outcomes. A likely alternative scenario may be that the changes wrought by globalisation will awaken deeply held resentment against capitalism and, in many countries from Europe to Latin America, provide a fertile ground for populists and demagogues, a trend that is already manifesting itself in the sudden rise of many leftist movements today.

Minimal reforms to the welfare state cost former German Chancellor Gerhard Schröder his job in 2005. They have also paralysed modern German politics. Former communists and disaffected Social Democrats, together with left-wing Greens, have flocked to Germany’s new leftist party, whose politics is a distasteful mix of anticapitalist demagoguery and right-wing xenophobia. Its platform, polls show, is finding support even among mainstream Germans. A left-leaning majority, within both the parliament and the public at large, makes the world’s third-largest economy vulnerable to destructive policies driven by anticapitalist resentment and fear of globalisation. Similar situations are easily conceivable elsewhere and have already helped bring populists to power in Latin America. Then there is France, where President Nicolas Sarkozy promised to ‘rupture’ with the failed economic policies of the past. He has taken on the country’s public servants and their famously lavish benefits, but many of his policies appear to be driven by what he calls ‘economic patriotism,’ which smacks of old-fashioned industrial protectionism. That’s exactly what French schoolchildren have long learned is the way the world should work.

Both the French and German cases show the limits of trying to run against the grain of deeply held economic ideology. Yet, training the next generation of citizens to be prejudiced against being enterprising and productive is equally foolhardy. Fortunately, such widespread attitudes and the political outcomes they foster aren’t only determined by tradition and history. They are, to a great extent, the product of education. If countries like France and Germany hope to get their nations on a new economic track, they might start paying more attention to what their kids are learning in the classroom.
How not to win government: The GOP drifting without a rudder

Tim Wilson

I

n the 2008 presidential primary season, the Republican Party has split into at least half a dozen constituencies. Looking at just how divided the Grand Old Party is on substantive issues of policy and philosophy provides a lesson for Australian Liberals—the Republicans have fallen into a trap of their own making.

When parties lose government soul searching and a blame game ensues. The divisions within the party become apparent. This is particularly a problem for parties of the right. They tend to be united by an opposition to the left, more than a deeply rooted, unifying philosophical thread.

Following the Goldwater/Reagan era it was clear what the Republicans stood for—free markets, conservative (but not reactionary) social policy, strong defence and winding back the welfare state. In 2008 it is far from a united front. Instead the GOP has almost completely split into its different constituent bases—small government conservatives, libertarians, and social and religious conservatives.

Trade policy provides a stark illustration of how deeply the GOP is splitting. The Goldwater/Reagan narrative of the ‘promise’ of free trade no longer unites Republicans. In the current presidential primary season, each candidate position on trade policy reflects their different constituencies.

Ron Paul represents the GOP libertarians who believe government should have no role in trade policy and fights against free trade agreements (FTAs) and participation in the World Trade Organisation (WTO). Mitt Romney and John McCain represent economic conservatives who maintain a strong commitment to open trade and they seek to achieve it through the best possible means, including FTAs and the WTO, as well as a commitment to retraining affected Americans. Until his withdrawal, Giuliani represented the sceptical Republicans that question free trade, but ultimately accept it is more beneficial than not. And then, there is Mike Huckabee. Huckabee questions deeply the benefits of free trade, with passion that would win accolades in a Fabian Society meeting. He argues that America needs ‘fair trade’; that free trade is hurting jobs and uses trade policy as justification for China bashing. There is as much xenophobic thrust in his opposition, as there are distortions in his understanding of trade economics.

But trade policy is not an isolated problem for Republicans. Often conservative criticism of the left attacks its capacity to be captured by vested interests. The tag now applies to much of the Republican Party; following years of infiltration from religious groups. The party now suffers from a myopic focus on religious conservative values, rather than on uniting principles such as small government, fiscal discipline and individual responsibility.

Paul and Huckabee are at the ideological extremes of a very diverse GOP. But the moderate candidates are not much more attractive to a broad Republican base. Ultimately Giuliani ‘progressive’ views alienated him from too many Republicans, and Romney’s Mormonism dogs him in a party that has over-indulged in evangelical Christians.

The comeback kid, John McCain is probably the closest candidate to uniting a broad Republicanism. McCain is socially conservative, but lacks overt religiosity and hence doesn’t alienate the more progressive arms, while having a fearless record on government spending and tax cuts. McCain also crosses the political divide by recognising a role for government to address externalities such as climate change; which is becoming a big issue for religious conservatives who believe we need to be better custodians of God’s earth.

The real challenge for the Republican Party lies ahead of it, not behind it. The party is not at its lowest ebb yet. The origins of the problems Republicans now face come from using social policy as a means to foster a more exclusive Republicanism. The effect was to strain relations with many of the historically core supporters of the GOP. The only members who remain happy are some religious conservatives.

The lesson for Australian Liberals is to avoid the ideological split that has crippled the Republicans. Since the 2007 election there has been a lot of chatter about whether Liberals should become the new champions for social progressivism or stick with an electorally populist social conservatism. It should do neither.

The Liberal Party should not seek to become the new political party for social change. But equally it should not perpetuate social positions the public at-large has moved on from. It should find common ground amongst its members and seek a position that is palatable to the broadest diversity of its constituency, focused around the unifying principle of individual responsibility.

Thankfully, unlike Republicans, Liberals are not considering a departure from economic conservatism. The most recently controlled Republican Congresses used big government conservatism to offset the affect of narrowing its base through exclusive social policy.

Towards the end of its eleven years in power, the Howard government departed from its commitment to economic conservatism. In 2007 the Labor Party went into polling day arguing for tighter government spending. Nevertheless, the Liberal Party’s commitment to economic conservatism remains much deeper than a short blight on its otherwise attractive record.

In the end the Republican Party has a constituency with very narrow social views that are obsessed with a few minority issues, and a small band of conservatives who are disinterested in fiscal prudence. The Liberal Party would do poorly to follow their lead.
In defence of David Cameron
How the Tories have gotten past soul searching in opposition

James Campbell

Until recently it was easy for many in the Australian Liberal Party—apparently safe in their possession of government—to mock British Conservative leader David Cameron. His concern for the environment and climate change, along with poverty in the developing world, and social exclusion seemed to mark him as a classic ‘wet’, if not an outright leftist.

But before passing judgement on David Cameron and his band of Tory modernisers it is necessary to understand just how far the Conservative party has fallen out of favour with the British public in the past ten years and how unprecedented this fall was.

The Conservative party is the oldest and most successful political party in the English speaking world. It governed Britain for most of the twentieth century, with a remarkably consistent share of the popular vote. Only twice between the end of the Second World War and its defeat in 1997, did its share of the vote dip below 40 per cent: Margaret Thatcher won with 43.9 per cent in 1979 and John Major won with 41.9 per cent in 1992.

But after Major’s surprise victory, something went horribly wrong for the Conservative party. In 1997 its vote collapsed to 30.7 per cent, and has stayed in the low 30s at two subsequent elections (with an only pitiful recovery in 2005 to 32.4 per cent).

As bad as they appear, merely looking at the percentages doesn’t do justice to how unpopular the party has become. The Tories’ electoral position is actually worse. To get the full picture you need to look at the actual number of people who voted for it. In 1979, the year the Tories won power, the party received 13.7 million votes. In 1997, the year it lost power, it received 9.6 million votes. In 2005—despite winning an extra 32 seats—it received 8.7 million votes. In other words the party continued to lose voters—nearly a million—over the eight years it had been out of power.

What has gone wrong? The arguments over the causes of the strange death of Tory England and what the party might need to do to get itself back into government have raged for the past decade.

The early phases, say from 1997-2001, was over what had gone wrong with the Major government. Some thought that the government’s policies had been basically sound but it had been destroyed by ill-discipline, treachery, voter fatigue as well as a series of sex and money scandals which came to be known by the headline shorthand of ‘sleaze’.

Those who tended to this view could point to Tony Blair’s ‘small-c’ conservatism and his continuation of Tory policies to support it. After all, in its first years in office Labour kept to the Conservatives spending targets (something Ken Clarke, the last Tory chancellor, later admitted he would never have done). Nor had it renationalised any of the Tories’ privatisations. The only significant question to divide the two parties was whether or not Britain should adopt the Euro. The Tories (apart from a Europhile rump of the parliamentary party) were fanatically opposed and the Labour party cautiously in favour, but only if several, unpassable tests were met.

The Tory right-wing were therefore convinced that the way back to government was to keep talking about tax, crime, immigration and Europe.

There was another group of Conservatives however who felt that the collapse in the party’s vote was a sign of something much deeper than disgust at the misdeeds of the Major years. They argued that Britain had changed and that the Tories needed to change to better reflect it: it needed to be friendlier to Britain’s migrants, gays and women, to confront what former Tory adviser Daniel Finkelstein has recently called the task of ‘making peace with the sixties’.

As with the Liberals, the Conservatives seemed to have lost a type of middle class voter—sometimes in Australia called doctor’s wives, or latte and chardonnay drinkers—who ought to be their natural constituency. These voters are liberal in both economic and social matters and are sometimes called ‘post-materialist voters’.

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Barely a day goes by without some report of millions lost through bad government management, which is hardly surprising given the rate and speed of the spending increases.

Those Tories concerned with getting these voters back felt that the party needed to accept that there were certain parts of the British state in which the populace did not want to see the operation of market forces—especially the National Health Service (NHS). They were also prepared to whisper that some privatisations (especially the railways) had been a mistake, or badly managed, or might have been better managed.

William Hague, the first post Major leader belonged to this group by instinct. One of his first acts was to attend the Notting Hill Carnival, a massive West Indian street festival and icon of multicultural, liberal Britain, notorious for its pot smoking crowds and the fact that it frequently ends in a riot. No previous Tory leader would have gone near it—let alone wearing a baseball cap—it was as though John Howard had decided to march in the Sydney Gay and Lesbian Mardi Gras.

But Hague’s problem was that he was never in a strong enough position to impose his views on the party. After two years in the job, with low poll ratings and a discontented back-bench and grass roots, Hague veered rightwards. He began talking about tax, Europe and immigration to the exclusion of all else. These themes were well expressed in his famous ‘foreign land’ speech of 2001:

Just imagine four more years of Labour. Try to picture what our country would look like. Let me take you on a journey to a foreign land—to Britain after a second term of Tony Blair.

The Royal Mint melting down pound coins as the euro notes start to circulate. Our currency gone forever.

The Chancellor returning from Brussels carrying instructions to raise taxes still further. Control over our own economy given away.

The jail doors opening as thousands more serious criminals walk out early to offend again. Police morale at a new low.

The right wing press were delighted. They particularly liked the bit where he claimed that people could tell that ‘something is going badly wrong when tens of thousands of people are crossing the entire length of the European continent, travelling through safe countries en route, before suddenly lodging an asylum claim in Britain’. People might well have suspected that something was wrong, but unfortunately for Hague, they were not inclined to express it at the ballot box. The party was thumped as badly in 2001 as it had been in 1997.

Despite the evidence that that British public were not interested in a Conservative party obsessed with tax, Europe, crime and immigration, Hague’s two successors fell into exactly the same trap. He now admits his change of tack was a mistake: ‘We’ve fought two elections on tax, Europe and immigration and we know what the results of those elections were’, he reflected in August last year.

Cameron began by vowing to be different. He was concerned to appear worried about the environment. He rode to work to cut his carbon footprint (though a driver followed behind with his briefcase). He made noises about the need to understand what ailed troubled teens (‘Hug a hoodie’ in the words of the Labour Party). He created his own web-cam where viewers could watch the Conservative leader at home. He spoke about the importance of fathers being present at their children’s birth. He replaced the party’s logo, a lighted torch, with an oak tree. He attempted to impose more women and ethnic minorities as candidates. And most importantly, he took care never to be photographed in public with Margaret Thatcher.

It might have been easy to mock Cameron as a trendy ‘heir to Blair’ but there was no denying the evidence of the opinion polls. At the end of his first year as leader the Tories’ support reached 40 per cent for the first time in 14 years.

But six months later it appeared to be going horribly wrong again. Labour had recovered in the polls after Blair was replaced by the dour self-styled son of the manse Gordon Brown. As the polls got worse over last summer, the right began to stir. Newspapers began reporting pressure on Cameron to sound more like a traditional Tory, a large donor mused in public that he didn’t know what the party stood for, and most damagingly, the party indulged in pointless fighting over the future of selective education. As summer turned into autumn and Labour’s poll lead continued to increase, the government contemplated a snap general election to capitalise on Tory divisions and their leader’s honeymoon period.

Gordon Brown’s mistake was to wait until after the Tory party conference last year to decide whether to call an election. Had he gone to the country in the first flush of his honeymoon, there is no doubt he would have been returned. But he got greedy by gambling that the Tories could be relied upon to air their divisions in public at their conference. The Conservative rank and file might not like Cameron much but even they could see that damaging him six weeks before an election was not the wisest thing to do. The conference was calm. Cameron made a brilliant speech without notes, in which
he looked Prime Ministerial, and the Shadow Chancellor, George Osborne promised that a Conservative government would cut taxes.

Tax cuts? Wasn’t the whole modernisation project meant to be about getting away from talk about tax cuts? How could it be that the Conservatives were promising tax cuts and within a week their poll numbers began to rise? Why was it that when William Hague and Michael Howard had promised tax cuts the public had soured on them but the same thing was not happening to Cameron?

The answer is timing. When Hague was talking about tax between 1997 and 2001, Labour was still basically keeping to the Tories spending plans—indeed government spending as a percentage of gross domestic product actually fell during the first two years they were in office. It wasn’t until 2000 that the government turned on the public spending tap. Politically this meant that any talk of tax cuts would mean cutting into public services and starving public sector investment—something which most people agreed was needed.

In 2007 however the landscape is completely different. According to the think tank Reform, overall public spending increased by 25.5 per cent in real terms between 1999-00 and 2004-05. It is estimated to increase by 44 per cent between 1999-00 and 2009-10.

According to the Taxpayers Alliance, under Labour:

- Families’ disposable income has risen at a slower rate since 1997 than in the two decades previously.
- Tax payments ... have risen by £219 billion since 1996, or nearly £9,000 per household.
- Government borrowing has exceeded £30 billion in every year since 2002.
- It is estimated there are 700,000 more public sector employees than there were when Labour came into office.

What have the British public got in return for all this money? Not a lot—or, rather, not anything approaching a reasonable return on their investment. Barely a day goes by without some report of millions lost through bad government management, which is hardly surprising given the rate and speed of the spending increases. Tony Blair came to the realisation too late that increasing public spending without reforming the structures of government—especially the NHS—was a recipe for disaster. As might have been predicted, much of the money has disappeared in wage increases. Under the Tories the NHS might have been dreadful but it had the merit of being cheap—British expenditure on health was amongst the lowest in the European Union. Under Labour, it’s still dreadful compared with most EU member states but health spending is now near the top of the EU average. It is no wonder that the Shadow Chancellor’s speech proposing cuts to stamp duty and inheritance tax met with a better reception from the public than previous Tory tax pledges.

Tax however is not the only area in which the Tories’ old tunes are suddenly finding new listeners. Europe, which has lain dormant for the past few years, after Labour gave up any attempt to join the Euro, is stirring. The fact that the Conservatives won that argument has strengthened their credibility, as has the
government’s broken promise to hold a referendum on the EU constitution—which has since been rebadged as a treaty. The Conservatives have been in the comfortable position of being able to damn Labour for a broken promise and saying that ‘the people must be heard’, without it being clear whether the party would adopt a united position if such a vote was ever held.

But it is immigration—an issue which has seemed to offer so much electorally on so many occasions, but has delivered so little—that finally seems to be living up to its potential. When Labour opened the doors to migration from the newly admitted EU states in 2004 it predicted that 15,000 would arrive each year. By the end of 2006 at least 600,000 had arrived. Official figures show that at least 500,000 people are moving to Britain each year—probably more. The change to the ethnic mix of the country is much greater than that however, because around 400,000 Britons are also emigrating each year. England is now the most densely populated country in Europe.

It is no surprise therefore that immigration has leapt to the top of the political agenda. The extra pressures on social services from this sudden increase in population has been immense, though one can’t help wondering sometimes if the government is not happy to use immigration as an excuse to hide its failure to improve those services despite the enormous increases in spending.

The sheer volume of immigration and its impact has meant the Tories have been able to discuss the subject for the first time in a decade without seeming to be playing to xenophobia.

But the biggest unforeseen political consequence of the increase in migration has been the light it has thrown on the enormous numbers of the unemployed native population. It has not escaped notice that the UK has managed to absorb 600,000 Poles into its work force without the local rate of unemployment moving at all. Clearly the jobs were there, but for whatever reason the natives were unwilling or unfit to take them. The realisation that large number of Briton’s are not fit for purpose has caused a huge amount of hand-wringing and finger pointing amongst the political class, most recently over the discovery that there are 500,000 people on disability pensions—under the age of 35.

The news that the problems of millions of people in Britain stem not from their material circumstances but the culture in which they live has been seized by Cameron and labelled, along with the apparent rise in lawlessness, as The Broken Society. His message is simple: in 1979 Britain’s problems were economic. In 2008 the country’s problems are social. In both cases only the Conservatives will fix them.

So in 2008 the Conservative party again finds itself talking about tax, crime, immigration and welfare dependency, as it has been doing since it lost office. But this time it is doing so from a position of strength—not merely because the times are changing and Labour seems to have run out of ideas, but because Cameron has softened the edges of the message. The point of the modernisers’ project was not to move away from tax, crime, immigration and welfare dependency but to rejuvenate the image of the party so that the public were prepared to listen to them on those subjects again.

Since the general election that wasn’t, events have overtaken the Gordon Brown government: the sub prime crisis has caused a run on a bank, requiring a bail out of billions, the government lost the personal data of 24 million people in the post, and it is engulfed in another round of scandals involving fundraising. More ominously, there are signs the British economy is heading into a recession.

After events like these Cameron and Osborne must be regretting their decision last year to accept Labour’s spending targets which will tie their hands going into the next election.

The Tory modernisation project arose from circumstances peculiar to British politics in response to British problems which are of limited application in Australia. Try as it did, the Howard government never managed to get public spending up to the level achieved by Tony Blair, Australia does not face social breakdown on the same scale (outside indigenous communities), is not being over-run with migrants, and its sovereignty is not threatened by members of the EU.

But the lesson of the Tory modernisers is that tone matters—if the public don’t like the singer then they won’t listen to the song. Cameron has understood that to win the argument about the destructive nature of social welfare your language needs to be compassionate, not judgmental. You also need to be seen to be engaged with social problems on a personal level.

Cameron’s effort to get more ethnic faces into parliament was important because the party needed to send a message that it was not racist—to middle class white people as much as to ethnic minorities. The Australian Liberal Party needs to think hard about Cameron’s example given that the ALP holds every one of the 20 seats with the highest non-English speaking population in the country. If it can soften its image and reclaim those middle class voters that abandoned it in 2007, it will be able to go hard on tax and welfare issues without being quickly dismissed as uncompassionate. There is no reason for the party to wait ten years and endure two more election losses, as the Tories have done, to learn this lesson.
Leviathan wants to regulate

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‘Goddamn you all to hell!’

The revealing politics of dystopian movies

Chris Berg
‘There is, of course, every reason to view the next century with fear,’ wrote a New York Times film reviewer in 1976 after having watched the Charlton Heston vehicle Soylent Green.

Smug pessimism of this type is hardly unusual in political commentary. Indeed, in only the last few years, Hollywood has released V for Vendetta and Children of Men, each of which claim that the Iraq War is the beginning of a cycle of oppression that will lead to dictatorship. Over the last century, the dystopian film has reflected society’s fears of monoply capitalism, totalitarian socialism, environmental catastrophe, technology out of control, and now, in V for Vendetta and Children of Men, theocracy. The obsessions of the left are reflected in the dystopian movie.

But dystopias are never that simple. Certainly, the dystopian movie presents filmmakers with their opportunity for futuristic pessimism. The dystopia—a fictional society that got lost on the way to utopia—differs from traditional science fiction by its emphasis on political and social systems rather than science or technology, and therefore allows filmmakers to speculate wildly on the political future. But the genre has a tendency to trip up filmmakers, and the way it does so reveals much more about Hollywood leftist than it does the cultural fears of the broader population.

The Orwellian dystopia

George Orwell may not have invented the dystopia—John Stuart Mill coined the word in 1868, and Orwell’s vision was drawn from both Yevgeny Zamyatin’s We and Aldous Huxley’s Brave New World—but with the cultural status of Nineteen Eighty-Four, he owns it. Orwell defined the now archetypical dystopian society in response to the Stalinist communism—an omnipotent, omnipresent state with a single-minded control of its citizens. And the descendants of Nineteen Eighty-Four are many. The films THX 1138, Fahrenheit 451, Alphaville, Sleeper, Brazil, The Island, Equilibrium, Logan’s Run, Renaissance, The Running Man and others are derived from Orwell’s vision of a totalitarian police state.

The traditional dystopia is concerned with the spectre of the over-bearing state—the typical plot trajectory involves the protagonist rejecting the dictatorial controls of the government and finding out the horrible truth. In the 2005 film The Island, Scarlett Johansson and Ewan McGregor escape their post-apocalyptic dictatorship—which is run like a totalitarian fat camp—only to realise that their world was entirely artificial.

The evolution of the dystopian genre can reveal much about the popular obsessions of filmmakers and the audience, but each time those fears fall back upon a fear of the omnipotent state. For instance, even a sub-genre of dystopian films in the 1970s which featured environmental collapse eventually reveal themselves to be more concerned with state oppression than the environment. If this is a reflection of our cultural fears, then the contemporary environmentalists who would like the government to involve itself more and more in our individual choices have a much tougher task ahead of them than current opinion polls suggest.

Dreaming of the apocalypse: environmental dystopias

Paul Ehrlich’s 1968 neo-Malthusian tract The Population Bomb has been entered into history as a colossally inaccurate prediction of apocalyptic overpopulation. Ehrlich’s calculations of hundreds of millions of people starving to death in the 1970s and 1980s as population outstripped resources failed to account for agricultural innovation and slowing birth-rates in developed nations.

But The Population Bomb wasn’t just a simple prediction of global food shortages. To pound his message home, Ehrlich devised an array of future scenarios which could only occur as a consequence of his bleak mathematics. Ehrlich was quick to hedge his bets—none of [the scenarios] will come true as stated, but they describe the kinds of disasters that will occur as mankind slips into the famine decades—but that didn’t stop the Stanford University Professor from wild grade-school speculations that tenuously connected to his arguments. For instance, by 1979, Ehrlich foresaw that:

Only the outbreak of a particularly virulent strain of bubonic plague killing 65 per cent of the starving Egyptian population had averted a direct Soviet-American clash in the Mediterranean.

By 1980:

... general thermonuclear war ensues. Particularly devastating are the high altitude ‘flash’ devices designed to set fire to all flammable materials over huge areas.

After describing his most appealing scenario, which predicts the starvation and death of merely half a billion people, Ehrlich challenges the reader to imagine a more optimistic future, which he is pretty sure can’t be done.

Wild speculations about the future have been a staple of the environmentalist doom-saying ever since; and this sort of casual jumble of non-fiction and undisciplined fantasy doesn’t speak well for environmental pop science.

Ehrlich’s book set the tone in the early 1970s for a whole new type of dystopia. Gone are the obsessions with a monolithic state apparatus and the subjugation of individuality depicted in Zamyatin’s We and Orwell’s Nineteen Eighty-Four—new visions of dystopia arose out of environmental tragedy. And the blame for humanity’s fall no longer lies with power-seeking bureaucrats and dictators, but with humanity.

Chris Berg is the Editor of the IPA Review.
The moral simplicity of a Hollywood film turns out to be more ethical than the views of the environmentalists who were impressed by the perverse recommendations of The Population Bomb.

Orwellian dystopias after the end of the socialist dream

While the dystopian genre has thrived over the last century, depictions of utopias have all but disappeared. The only utopias that are presented are ones that have failed. Part of this is because utopias are inherently dull. For instance, Gulliver’s Travels only loses its pace when Jonathan Swift finally tries to describe his ideal society. The race of intelligent horses called the Houyhnhnms may be perfect, but from a literary perspective they are bland and uninteresting compared to the Lilliputians. George Orwell claimed that this narrative failure of Swift’s presented a major problem for socialist thinkers—the society where everybody is happy is a boring society. And it’s hard to string a narrative around a society in which there is nothing going wrong.

But from a historical perspective, utopias rather than dystopias have been the dominant literary form. Plato and Thomas More used the utopian society to illustrate their political and economic views, which of course were little more than crude socialism. The late nineteenth century was a busy time for utopianist fantasy—classics of this period included Edward Bellamy’s novel Looking Backward and William Morris’ News From Nowhere—but few authors have been able to conceive of utopias that are anything but socialist. (The science fiction writer Robert Heinlein is a notable exception.)

So almost immediately after the world had begun to experience an actual, living communist dictatorship, socialism jumped from a utopian fantasy to a dystopian nightmare. Dystopias replaced utopias just when we realised how bad lived socialism could be—the utopian genre was a casualty of the demise of the socialist dream. Indicatively, We was published in 1921—less than half a decade after the Bolshevik coup d’état—and itself. In the view of the environmental doomsayers, our own failure to keep pollution and population under control inadvertently leads us towards a dystopian future. And so when Charlton Heston curses mankind at the end of The Planet of the Apes, he speaks for Paul Ehrlich.

The Population Bomb was both serious enough to capture the imagination of the embryonic leftwing environmental movement and fanciful enough to directly inspire a boom in dystopian culture—within a year, Captain Kirk had been abducted by a race of space aliens to solve their overpopulation crisis. The book’s morally repulsive suggestions about coercing Indian males to undertake vasectomies and adding sterilisation to the food supply seem ready made for pot-boiler fiction. The 1971 film The Last Child depicted a society that had implemented a one-child policy and where the elderly were refused medical treatment, and the next year’s Z.P.G. showed a United Nations-esque ban on procreation for a thirty year period. And in 1973 Charlton Heston (an actor who appears to have been purpose-built for dystopia and angry revelations) uncovered the terrible truth behind Soylent Green, a synthetic food substitute made necessary after the United States had suffered complete economic and environmental collapse.

The 1976 classic Logan’s Run sets an Aldous Huxley-style pleasure dictatorship in a Paul Ehrlich world. The free-love and relaxation of the inhabitants of a domed city (a barely disguised shopping mall in Dallas) is only interrupted by the requirement that they have to be killed when they reach the age of thirty. When two escape, they discover themselves in the ruins of a Washington DC that has, it is implied, been decimated by environmental catastrophe caused by overpopulation. Logan’s Run packages all of the major dystopian fears together—a fear of technology (the dictator is in this case what appears to be a self-aware computer), a fear of population controls in the midst of a resource crisis, a fear of the loss of individuality (the Logan character featured in the film’s title actually has a more typically dystopian name—‘Logan 5’) and a fear of environmental apocalypse.

But it isn’t accurate to describe dystopian visions of Logan’s Run, Soylent Green, Z.P.G. and The Last Child as direct ideological spawn of Paul Ehrlich. The films sympathise with those characters that rebel against the population restrictions—the woman who defies the state by having a baby, the security man who escapes the domed city, and the cop who continues to investigate a murder in defiance of his superiors—and the resolutions inevitably show the masses awakening to the horrible truth. By the time the credits appear, Ehrlich’s suggestions that the government forcibly sterilise the population have been judged as repugnant—as have the suggestions of our modern anti-natalist that we limit population growth under the banner of climate change. The moral simplicity of a Hollywood film turns out to be more ethical than the views of the Sierra Club and other environmentalists who were impressed by the perverse recommendations of The Population Bomb.

Furthermore, the environmental dystopias may initially appear to represent an entirely new cultural fear—that of ecological collapse—but they eventually reveal that they share the obsessions of ‘traditional’ dystopias—a monolithic organisation exerting super-normal controls over an unwilling or ignorant populace. Overpopulation and food shortages may be terrifying, but that terror is trumped by the fear of an omnipotent state.

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was the first novel to be banned by the new Soviet censorship bureau.

As a consequence, from the ‘Khrushchev Thaw’ onwards, political radicals have been unable to come up with a fully-realised alternative to the status quo. Dystopias are much easier to conceive than utopias—after all, who doesn’t oppose dictatorship and forced sterilisation? Devising a plausible non-market economy is much more challenging.

But when Zamyatin and Orwell addressed their audiences in the first half of the twentieth century, it was within the realm of possibility that the Western world could go communist. That same demise of the socialist dream that led to the rise of dominance of the dystopia at the same time made Orwellian vision less poignant—there is simply no chance that the English constitutional monarchy will yield to IngSoc anytime soon.

And so to ensure that their visions remain relevant, filmmakers over the last few decades almost always try to shoe-horn a more modern message into their dystopias. In a particularly grating example of this, THX 1138 awkwardly shoved an anti-consumerist note into its otherwise traditional Orwellian vision less poignant—there is simply no chance that the English constitutional monarchy will yield to IngSoc anytime soon.

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The inefficient dystopia

By contrast, Terry Gilliam’s joyfully absurdist 1985 film Brazil is a much closer reflection of the lived experience of totalitarian socialism. In Equilibrium and THX 1138, the totalitarian state is an efficient state—public servants are passionate, dedicated, and above all, effective, and the trains run on time. In Brazil, Orwell’s state has fallen into disrepair. The omnipotent eye of the dictator is revealed to be a vast and sluggish bureaucracy. State employees watch old movies when the boss isn’t watching them—the workers are more like Charlie Chaplin than Alexey Stakhanov. Individual bureaucrats act as bullies rather than servants of the state. And in Brazil, tyranny is delivered in triplicate. Terry Gilliam may have set out to make an absurdist comedy out of the traditional dystopia, but in doing so, he made a society which accords more
closely with the USSR depicted in memoirs about life in the Soviet Union, especially in the post-Stalin era. Endemic corruption and bureaucratic mismanagement is the experience of socialism, not the clean, streamlined and seamless unitary state of Orwell. Pyongyang’s incomplete and structurally unsound Ryugyong Hotel is more representative of real-world socialist architecture than Oceania’s glistening white Ministry of Love. But in traditional anti-communist dystopias, the government is never so unglamorous as to run out of money. Orwell thought totalitarian communist governments would be terrible, but he also thought they would work.

Perhaps then the most poignant dystopian film made in the last half century is Stanley Kubrick’s 1971 film A Clockwork Orange. Upon first glance, A Clockwork Orange is not immediately recognisable as a dystopia. The biggest indicator—a totalitarian state—is absent in Kubrick’s vision. Indeed, the plot pivots around a politician desperate to solve the crime problem before the next election. And A Clockwork Orange strides across so many themes that its political views are not immediately obvious.

But A Clockwork Orange is a startling film about a decaying socialist Britain—not the socialism of the eastern bloc, but mid-century democratic socialism. The depraved protagonist Alex lives in ‘Municipal Flat Block 18A, Linear North’, part of a vast housing project which is so poorly maintained that it appears to be decomposing. The democratically elected government is revealed to be on a slow decline towards totalitarianism. A writer who eventually kidnaps Alex is described as a ‘subversive’, and perhaps more indicatively, the Minister of the Interior lets slip that he needs to clear the prisons of normal criminals to make room for political prisoners. And it is a society that is about to breakdown. After all, it is quickly indicated that Alex and his droogs are not the only gang terrorising England—law and order appears to be the government’s biggest problem.

When A Clockwork Orange resonates, it does so because social breakdown and socialist decay are very real features of west European states today. The northern banlieues around Paris are just the sort of low-income ghettos which are inhabited by Alex. In these areas, the state is present but ineffective—delivering welfare but not order—and the inhabitants are both oppressed and independent. Indeed, when David Cameron describes England’s ‘broken society’, he raises the spectre of ultra-violent and truant adolescents.

The vision of A Clockwork Orange is, like all dystopias, an exaggeration, but it is far more real than the states of Logan’s Run or THX 1138. And A Clockwork Orange manages to be far more cynical than a democratic socialist like Orwell could ever be. (Both Kubrick’s politics, and the politics of Anthony Burgess who wrote the original novel, could hardly be described as standard arts industry leftyness. Indeed, Burgess went onto write his own dystopian homage to Nineteen Eighty-Four, which he titled 1985, that featured a Britain dominated by trade unions and where Islam had become the dominant political force.) Images of dystopia are necessarily reflections of their time. When Orwell wrote his book, he addressed it to fellow-travelling socialists—his story was directed at his comrades who supported the Soviet ‘experiment’. Subsequent dystopian visions—at least those ones that have been more than just paint-by-numbers duplications of Nineteen Eighty-Four—have variously railed against environmental destruction, corporate monopolies, genetic engineering, censorship, technological dependence, religious extremism and neo-conservative warmongering. But they always oppose the state—even in those films that blame corporations for the ills of the world, it is the state that provides the power to oppress.

But when a dystopian vision fails, it fails because it misunderstands the nature of the contemporary state. Brazil and A Clockwork Orange are more ominous dystopias because they are—perhaps surprisingly considering that one is an absurdist comedy and the other a violent criticism of behavioural psychology—realistic.
Despite the Bali show-and-tell, carbon targets continue to be futile

Alan Moran

If burning fossil fuels is the major cause of global warming then the prospects of preventing it are slender.

Fast growing developing countries currently have relatively low levels of carbon emissions. However, their economic growth is highly dependent on fossil fuels and this presents seemingly insuperable obstacles to stabilising world carbon dioxide emissions.

In 2004, global greenhouse gas emissions (in CO$_2$ equivalents) were 28,790 million tonnes. Just over 10 per cent of these were from the former Soviet bloc and the rest split fairly evenly between the OECD countries and the developing world. Emissions from OECD countries grew at 1.3 per cent per annum between 1990 and 2004. Developing countries annual emissions growth was 5.7 per cent. The former Soviet bloc’s emissions fell by 1.7 per cent per annum.

In 2008, developing countries’ emissions will exceed those of the OECD countries. This will increasingly dilute any actions taken by the developed OECD nations, the only group seriously considering abatement measures. The dilution is further amplified if abatement in the OECD is achieved by smelting and other energy intensive activities being migrated to developing countries.

In spite of the rapid growth in developing country emissions, their per capita emissions remain considerably below those of the OECD countries. In 2004, OECD emissions averaged 11.5 tonnes per capita (the US and Canada were at 20 with Australia at 16.2). Per capita emissions in developing countries averaged 2.4 tonnes. Table 1 illustrates recent emission levels and trends.

There have been suggestions that the developing countries should be brought into an emission reduction scheme by granting them tradable emission rights. This offers superficial attractions of all round wins. Developing countries would be given rights that would be surplus to their requirements, rather like the earlier case when post-communist countries in the former Soviet bloc were brought within the system. Those countries’ adoption of capitalist production and pricing methods encouraged conservation of resources and meant their previous emission levels were far higher than those they now required. Granting them their existing levels of emissions and allowing them to trade the surplus amounts handed them windfall gains.

Table 1: CO$_2$ equivalent emissions 1990–2004 (million tonnes)

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2004</th>
<th>Annual increase</th>
</tr>
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<tbody>
<tr>
<td>OECD</td>
<td>11,205</td>
<td>13,319</td>
<td>1.3%</td>
</tr>
<tr>
<td>Former Soviet bloc</td>
<td>4,182</td>
<td>3,168</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Developing countries</td>
<td>6,833</td>
<td>12,303</td>
<td>5.7%</td>
</tr>
<tr>
<td>Total</td>
<td>22,220</td>
<td>28,790</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Source: United Nations Development Programme

In 2004, OECD emissions averaged 11.5 tonnes per capita (the US and Canada were at 20 with Australia at 16.2). Per capita emissions in developing countries averaged 2.4 tonnes. Table 1 illustrates recent emission levels and trends.

The treatment of the former Soviet bloc countries in this way was crucial to getting their agreement to the Kyoto Convention and in turn to receiving the global support necessary for it to come into force as an international treaty. But at the same time this vastly expanded the quantities of permitted emissions, thus undermining the basic intent of the Kyoto Protocol. The far greater magnitude of developing country emissions, their less wasteful use of energy and their future need for much higher levels of energy use makes it impossible to adopt a similar approach.

With the constraints on the Kyoto approach it is arithmetically infeasible to bring in developed countries to achieve stabilisation at 2004 levels of 28,790 million tonnes under any reasonable or fair apportionment of the emission levels. It follows that any consideration of rolling back emission levels is ludicrous.

This is readily illustrated. If OECD countries were to reduce their emission levels by 20 per cent—the minimum that has been floated at Bali—and the former Soviet bloc were to hold their emissions constant, then to achieve stabilization in 2030 would require developing countries to limit their increases in emissions by 22 per cent as illustrated in Table 2 above.

While superficially generous to the developing countries the 22 per cent increase is a massive reduction compared with business-

Table 2: Emission stabilisation scenario (million tonnes of CO$_2$ equivalent)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2030</th>
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<tr>
<td>OECD</td>
<td>13,319</td>
<td>10,655.2</td>
</tr>
<tr>
<td>Former Soviet bloc</td>
<td>3,168</td>
<td>3,168</td>
</tr>
<tr>
<td>Developing countries</td>
<td>12,303</td>
<td>14,966.8</td>
</tr>
<tr>
<td>Total</td>
<td>28,790</td>
<td>28,790</td>
</tr>
</tbody>
</table>

Source: United Nations Development Programme

Alan Moran is Director, Deregulation Unit at the Institute of Public Affairs.
In the absence of a world dictatorship changing human behaviour, reducing carbon dioxide emissions is not possible.

As usual levels. Compared with the 15 billion tonnes of carbon dioxide equivalent projected under this scenario, business-as-usual levels—based on previous growth rates—would see developing countries emitting over 23 billion tonnes in 2030. Moreover, because of their population growth, limiting developing countries’ emission levels to 15 billion tonnes of carbon dioxide equivalent would result in their emissions per head actually falling, from 2.4 tonnes to 2 tonnes. This is less than one fifth of the OECD 2004 per capita average of 11.5 tonnes and only a quarter of the OECD average in 2030 which is 7.9 tonnes once a 20 per cent reduction and population growth is incorporated.

Under the mix of current technologies stabilisation of emissions cannot be achieved unless developing countries were forced to follow a similar emission reduction path to OECD Countries (leaving their per capita emission levels at one quarter of those of the OECD). If, for example, developing countries were to maintain their 1990-2004 levels of increase and the former Soviet bloc’s emission levels remained constant, this would leave virtually no emissions for the OECD group in 2030. Even under that scenario the developing countries’ 2030 per capita emissions would be less than one third of the current OECD level.

There is, of course, the prospect of new technologies emerging. Draconian cuts in emission levels would require taxes or prices on emission levels that would certainly stimulate the discovery of these as well as energy use economies. But the necessary technological breakthroughs have, as yet, barely been imagined.

A wholesale replacement of coal and gas by nuclear for electricity generation would also be capable of achieving the required reductions—at least over the next forty years. However, those pressing most strongly for emission reductions are also fervently opposed to nuclear power.

Short of unknown breakthroughs or a comprehensive acceptance of nuclear power, not only do the aspirations of developing countries doom any significant halting in the growth of greenhouse gas emissions, but the actions of the OECD group are equally fatal. Many of these countries, including Australia, have incurred considerable costs in subsidising and regulating for hopelessly uncompetitive energy sources that are low in emissions.

In spite of this, and the fact that the early gains are likely to be the easiest because they tap into the fabled ‘low hanging fruit’, no major player will meet the obligations it signed onto. Although individual European Union countries will meet their targets—Germany because of unification, and the United Kingdom because of the shift from coal powered electricity generation—the EU as a whole is presently falling short and this is likely to be amplified once the next five years data is in.

Australia, which claimed to be only 4.5 per cent above 1990 levels in 2005 will, if the economy continues to grow, be some 14 per cent above 1990 levels for the Kyoto yardstick average of 2008-12. Australia would be over 25 per cent above its (highly generous) Kyoto target of 108 per cent of its 1990 levels, if it were not to include its creative (and unplanned) definition of land clearing among its credits. Norway has also benefited from this unplanned inclusion of clearing credits and, as a result, is the only country meeting its target. Canada, often in the vanguard of countries that loudly trumpet their political correctness, is among the worst performers.

Table 3 is drawn from the latest United Nations Framework Convention report and indicates levels of achievement compared to targets in 2005. The levels are expressed on two bases: with and without counting land use changes.

All this leaves the only options as either further increases in emission levels or forced abatement measures that will curtail the growth in living standards.

Perhaps any action will be in vain. Although carbon dioxide levels are increasing, recent temperatures are not. Notwithstanding 2007 as the year of the Nobel Prizes and hype like ‘the hottest year on record’, the satellite data reveals a different picture. It shows 2007 was not a particularly warm year and was in fact cooler than the average since 1979 when the first satellite recordings became available. The earth has warmed 10 degrees centigrade from the end of the last Ice Age without any assistance from humans. It may continue to warm or it may cool with or without human intervention. Any climate change will have mixed effects but, in the absence of a world dictatorship changing human behaviour, reducing carbon dioxide emissions is not possible.
Water politics has a tendency to be deeply parochial—federal politicians support their home state at the expense of good public policy. But the new Rudd government’s water agenda claims to be truly national. And for once there may be an interest in Canberra on water issues in Australia’s state capital cities as well as in the Murray Darling Basin.

Nevertheless, the new water minister, Penny Wong, is from South Australia and there has been some mumbling—mostly behind closed doors in Victoria and New South Wales—that South Australian politicians are inevitably parochial when it comes to water. The newly elected independent South Australian Senator Nick Xenophon—who may hold the balance of power in the new Senate—has been more open about his views, and promised to be parochial. How this new era in Australian water politics plays out could potentially define national water policy for decades.

South Australians live at the end of the Murray River system and many live in fear that someone upstream will steal their water before it makes it to the end of the system. So they tend to have a special interest in water politics—as far back as federation the state has sought to have its perceived water rights enshrined nationally. There are now national agreements specifying how New South Wales and Victoria service South Australia’s water entitlement. South Australian politicians, like all politicians, seem to always be on the lookout for any opportunity to further secure their entitlement.

There were several South Australian ministers within the Howard cabinet and they were always quick to scuttle any proposals that did not suit South Australia’s water agenda. For example when the Commonwealth Standing Committee on Agriculture, Forestry and Fisheries handed down an interim report in March 2004 emphatically stating that the scientific evidence did not support various claims which would have resulted in more environmental flow for South Australia, then Foreign Minister, Alexander Downer, very quickly and very publicly had the reports findings quashed.

Even the geography of the Murray River itself has been altered by political maneuvering. When Charles Stuart first navigated the Murray in 1831 he determined that the River ended at Wellington, but this has been renegotiated over time by the South Australians—the estuarine lake system below Wellington is now also considered part of the river system and thus entitled to a water allocation from upstream.

Soon after becoming the water minister in the new Rudd government, Wong

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It is in the national interest that the focus moves to issues of more relevance—how to secure urban water supplies into the future without relying on inland rivers.

met with South Australian irrigators; and, according, to one leading irrigator, Tim Whetstone, a solid platform for further discussions was established which including the need for water reform within the Murray Darling Basin. Of course ‘water reform’ within the Murray Darling Basin has been on the national agenda since federation and much progress has already been made. Over the last twenty years there has been the salinity and drainage strategy of 1988, imposition of a national cap on extractions in 1995, an inquiry into the restoration of flows to the Snowy in 1998 and in June 2004 the Howard government announced a new ‘National Water Initiative’ and then in January 2007 a ‘National Plan for Water Security’.

Announcements from federal Labor before the recent election correctly explained that the Howard government’s $10 billion ‘National Plan for Water Security’ is designed primarily to address water issues in the Murray Darling Basin but that there is also a need to address ‘the water crisis in our coastal towns and cities where 18 million Australians live’. Indeed, as recently as January 2007, Prime Minister John Howard was talking about the impossible dream of drought-proofing the Murray Darling Basin, rather than, for example, taking any interest in the possibility that one of the nation’s fastest-growing cities, Brisbane, could run out of water.

Both Brisbane and Adelaide lie about 100 kilometres outside the Murray Darling Basin catchment area proper. However, despite its distance, Adelaide has an historic water property right to the Murray River’s water and draws 40 to 90 per cent of its water supply from the river. Successive South Australian governments have resisted calls to make their capital less dependent on the river by moving to waste water recycling or desalination.

In the lead up to the recent federal election, Labor promised a $1 billion National Urban Water and Desalination Plan to help secure the water supplies of Australia’s major cities with centres of excellence in desalination in Perth and a centre of excellence in water recycling in Brisbane—acknowledging these cities as leaders in these respective fields. It is unclear what Nick Xenophon’s position is on the often controversial issue of drinking recycled water. His focus so far has been on the Murray River and, if his media releases are to be believed, the hardship recently experienced by South Australian irrigators has nothing to do with the drought—or even climate change—but everything to do with bad decisions made in Sydney, Melbourne and Canberra that disadvantaged South Australians. Xenophon launched his campaign for the Senate in front of the giraffe enclosure at the Adelaide Zoo, explaining that he had decided to run for federal politics so he could stick his neck out for South Australia nominating water as an issue he wants to ‘fight on’.

The Howard government’s ‘National Plan for Water Security’ included various initiatives of potential benefit to South Australians, for example, the digging of a channel to bypass the Barmah Choke—a constriction in the Murray River which has historically made it difficult to get large volumes of water from Hume and Dartmouth Dams down the river quickly. The Victorian government did not sign up to John Howard’s National Plan and is now proposing to pipe water from the Murray to Melbourne.

Xenophon argues that the Commonwealth should use its Constitutional power to force Victoria to come to the party on the $10 billion initiative. To be sure, Murray Darling Basin water politics is unlikely to disappear from discussions in the national capital anytime soon, but it is in the national interest that the focus starts to move to issues of more relevance in the 21st century—in particular, the vital question of how to secure urban water supplies into the future without relying on inland rivers whose flow is potentially impacted by drought. The new federal government’s water proposal shows it is possible for both Melbourne and Adelaide to provide water to their residents and industries without drawing on the Murray.

Of course there will always be those who will campaign against obvious measures such as waste water recycling and desalination.

In Brisbane the issue of drinking waste water became a non-issue as water restrictions moved from level 4 to level 5 and then 6 in 2007 and the state government’s position changed from promising a referendum on the issue of ‘drinking sewage’ to announcing the inevitability of it. Perth already has a desalination plant operating and it claims to be greenhouse neutral. With Labor in power in all Australian states, territories and federally perhaps there is now even less potential for controversy over these new technologies and they can start to be fast-tracked.

The Rudd government and 2008 promise a new era in water politics—and hopefully one that begins to look north where most of our water falls, rather than always south. After all, paddle steamers are no longer important for inland trade and Adelaide can perhaps at last look beyond the Murray River for its water supply. Cities like Brisbane and Perth are leading the way and Penny Wong, as the new national water minister, can get behind their efforts and extend their progress nationally. Perhaps as Adelaide becomes less dependent on the Murray River, South Australia can start to worry less about perceived upstream threats and Australian water politics can become much less parochial.
The Stalin enigma

John Roskam reviews
Dean Acheson: A Life in the Cold War
by Robert L. Beisner
(Oxford University Press, 2006, 800 pages)
&
George Kennan: A Study of Character
John Lukacs
(Yale University Press, 2007, 207 pages)

The history of the twentieth century doesn’t lack for big questions. And some of the biggest questions inevitably revolve around Germany and Russia. For example, was the rise of Hitler an inevitable consequence flowing from the ‘character’ of the German people—or was 1933 to 1945 an aberration?

Then there are the questions about Stalin, the Russian people, and the nature of the Soviet Union. Were (and are) the Russian people doomed to totalitarianism? Did Stalin conceive his objective to be to secure the future of the Soviet Union or to ensure the worldwide success of communism?

As academically interesting as these questions are today, half a century ago the answers to them had very real consequences. If it were thought that Stalin’s objective was merely to ensure the territorial integrity of the Soviet Union then presumably there was little immediate risk to the West from his subjugation of eastern Europe. Perhaps there might even have been a chance that he could be susceptible to negotiation. On the other hand, if he was in fact an ideologue motivated by the expansionist ideology of communism, ceding eastern Europe to Stalin would give him a stepping stone into Europe’s western half—and therefore he had to be contained and ultimately stopped.

On either side of this debate were George Kennan and Dean Acheson. Broadly, Kennan held the first position, and Acheson the second. Each occupies a central place in the history of the Cold War. Kennan was the adviser and diplomat who wrote long papers hypothesising about Russia and the quality of ‘Oriental’ tyranny. As Harry Truman’s Secretary of State Acheson was the ‘do-er’. He gave the orders, did the negotiating with foreign leaders, and he fronted (and sometimes confronted) the media and the US Congress.

Robert Beisner’s biography of Acheson and John Lukacs’s biography of Kennan are quite different in scope and style, yet at the heart of each is the question of the character of Stalin and communism. Beisner as an academic historian of American foreign policy has grounded his book in the documentary evidence—there are 106 pages of footnotes. There’s not much about Acheson’s personal life but there’s ten pages of detail about what meetings he attended in June 1950 during the first week of the Korean War.

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Lukacs’s work is slight by comparison. There are no voluminous footnotes and few documentary sources. It’s not that sufficient material doesn’t exist for a budding biography—the problem is that there is too much material. Kennan died in 2005 at the age of one hundred and one, and for eighty years he kept detailed diaries, journals, and notes of his articles and speeches. And he had a not uninteresting personal and professional life. Starting in the Foreign Service in 1927 as a twenty-three year old, Kennan variously held positions at the US embassies in Prague in 1938, in Berlin from 1939 until 1942, and then in Moscow as deputy head of the mission from 1944 to 1946. He followed this with various policy roles in the State Department until in 1952 he became US ambassador to the Soviet Union.

It was a position he held for a mere four months. En route to a meeting in London he was asked by a journalist at Berlin airport whether he had many social contacts with Russians in Moscow. Kennan replied that the Soviet government prevented him from being able to meet regular Moscow citizens and the conditions for him in that city were comparable to those he suffered when he was interned by the Nazis in Germany. When these remarks were published he was declared persona non grata by the Soviet government—he wasn’t even allowed to return to Moscow to gather his personal belongings.

Perhaps it was because Lukacs knew Keenan personally that he’s not forced to rely on the written sources. Lukacs is an accomplished story-teller being best known for his Five Days in London, May 1940 and this biography is really a story about Kennan’s character and his thoughts.

Although Keenan is famous as the architect of America’s policy of containment against the Soviet Union, the strategy he consistently advocated for the United States was more sophisticated than one of simple opposition. Kennan was concerned that ‘anti-communism’ blinded Washington’s policymakers to the real nature of what was occurring in the Soviet Union in the 1940s. According to Kennan, Stalin’s communism was merely a ‘fig leaf’ that the dictator used to justify his despotism. ’[W]hat Stalin wanted were people, not always necessarily communists,
These books may have American diplomats as their subject, but they are dominated by the figure of Stalin.

but people entirely subservient to Moscow.’ In 1938 Kennan argued: ‘We will get nearer to the truth if we abandon for a time the hackneyed question of how far Bolshevism has changed Russia and turn our attention to the question of how far Russia has changed Bolshevism.’

Kennan’s famous ‘Long Telegram’ written from Moscow in 1946 attempted to explain to his superiors in Washington the Russian mentality. In eight thousand words Kennan argued that Russia’s attitude to the West was dictated by ‘fear and paranoia’—it was an attitude that was not dictated by communism. As Lukacs puts it, Kennan’s ‘reading of Marx and, even more, his experiences made him see—and astonishingly early—that the so-called class struggle was not the main force in history or, indeed, in human nature; that the struggle of nations and of states were infinitely more important; that nationality was more decisive than class.’ Kennan maintained that the best way to respond to Russia was through the threat of force—which was the only thing that the Russians understood.

In later years Kennan became immensely frustrated that ‘force’ was interpreted to mean only military force, when in fact his aim was to have the Western powers appreciate that economic and political force can in the long run be more effective than military action. He predicted the ultimate collapse of the Soviet Union on the basis that its ideology and its economic system were unsustainable. The only problem was that he never predicted when that collapse would occur.

The Long Telegram arrived in Washington on 22 February 1946, and, by coincidence, two weeks later Churchill gave his ‘Iron Curtain’ speech at Westminster College in Fulton, Missouri. The sentiments of Kennan’s telegram and Churchill’s speech were not the received wisdom. Both came at a time when many thought that it was still possible that the wartime alliance between the United States and the Soviet Union could continue into the peace. The conservative columnist Walter Lippmann described Churchill’s comments as an ‘almost catastrophic blunder’ and accused him of being a warmonger while the main concern of British foreign minister Ernest Bevin was that Stalin might be offended by the speech.

By the time Dean Acheson became US Secretary of State in 1949 notions about cooperation with the Soviet Union had disappeared. Acheson saw communism itself as the foe that the United States was fighting. While he regarded Stalin as little different from Peter the Great or Ivan the Terrible, Marxism-Leninism provided an ‘ideological zeal and fighting power’ that had been absent in the Russian leaders of the past. Communism ‘had transformed the Soviet regime into an inexorable force, like a river.’ Furthermore, ‘you can dam it up, you can put it to useful purposes, you can defeat it, but you can’t argue with it’.

Critics of Acheson’s cold war strategy then and since have maintained that the threat the Soviet Union posed was only ever minimal, considering the economic dominance of the United States and the advantage the Americans had in nuclear weapons. But as Beisner writes this ignores ‘the ability to feel fear and confidence simultaneously’.

That combination of fear and confidence is what stimulated the Marshall Plan, the Truman Doctrine, and the creation of NATO. These were all postwar creations that Acheson regarded as important. By contrast, for him the United Nations was not important. Acheson’s attitude to the United Nations could be summed up as:

people who could not face the truth about human nature were for the UN; people who fairly squished with the juice of human kindness but who had a pretty soggy brain were also for the UN; people who preferred to preserve their illusions intact favoured the UN.

Acheson was happy to engage in diplomatic debates ‘but he considered such debates valuable only when they occurred among those already in agreement on fundamentals’—and communists and liberal democrats didn’t share such agreement. His criticism of the UN is just as powerful now as it was half a century ago.

These books may have American diplomats as their subject, but they are dominated by the figure of Stalin. Kennan and Acheson may have disagreed about the relationship between Stalinism and ideological communism, but whatever they were fighting, they were united against it.
Ilf and Petrov’s excellent adventure

Chris Berg reviews
Ilf and Petrov’s American Road Trip
by Ilya Ilf and Evgeny Petrov
(Cabinet, 2007, 156 pages)

In 1931, some 10,000 American tourists travelled to the Soviet Union in order to see what the great Soviet Experiment could offer their depression ravaged country.

But the tourist traffic heading the other direction was much lighter. Ilf and Petrov’s American Road Trip is the travelogue of two Soviet satirists, Ilya Ilf and Evgeny Petrov, as they crossed the United States, scribbling reports for Pravda readers back home. Like the American fellow-travellers who were merrily shuttled from Potemkin village to Potemkin village, the report of their journey reveals more about their home country and culture than the country they ostensibly went to investigate.

The resulting photoessay, which was originally published in the Russian magazine Ogonek, (roughly equivalent to Life) reproduced the snapshots taken by Ilya Ilf on their journey with their satirical impressions of their trip. American Road Trip is a delightfully naïve interpretation of American society in the depression era.

In this book edited by Erika Wolf, a historian of Soviet art, Ilf’s photographs are affectionately reproduced for the first time in an English language publication.

Ilf’s photographs are more happy-snaps than Ansell Adams. Many photos appear to have been taken by sticking the camera out of the windows of their car. The book is full of slightly askew pictures of things the two Russians found interesting, or at least notable—some ‘handsome and unusually elaborate’ species of cactus, the childhood home of Mark Twain, an advertisement for whiskey that incorporated a statue of a horse, and a sign that notified visitors they were entering the little town of Moscow, Ohio.

There are some photographs of more political importance. A swaying sign in the street with the lettering ‘REVOLUTION IS A FORM OF GOVERNMENT ABROAD’ is, to Ilf and Petrov, bourgeois intimidation of the working class. (As Erika Wolf notes, the joke was on the Russians—the sign was instead an advertisement for a popular humour anthology illustrated by Dr Seuss. Ilf and Petrov were the foremost satirists of the Soviet Union, but they were unable to recognise the work of their American colleagues.)

For the most part, Ilf’s camera is non-political. Indeed, American Road Trip generally avoids direct political criticism. Ilf and Petrov are obviously fond of the country they are studying. They are fascinated by the advertising they see plastered across their trip, and direct much of their satirical energy towards Coca-Cola and cigarette advertising:

The fiery writing burns all night long above America and all day long the garish billboards hurt your eyes: ‘The Best in the World! Toasted Cigarettes! They Bring You Success! The Best in the Solar System’!

When we read how foreign the most basic and innocuous advertising seems to the two Russians—they are surprised that that towns advertise themselves on billboards beside the highway—we don’t gain a better picture of the United States in the 1930s, but of the Soviet Union.

They are highly sympathetic to the Native Americans living on reservations, predictably seeing them as remnants of a social structure in opposition to the dynamic capitalism of the east and west coasts. (Although as Erika Wolf notes, Ilf and Petrov are once again tricked, as a Native American who pretends to be unaware of civilization was actually a famous photographer and clown dancer on tour.) Similarly, a trip through North Carolina confirms their Soviet views about American race relations—deep in the Jim Crow era, it is fair to say they had a point.

What does surprise the modern reader is the unfocused rage they direct towards American filmmaking. ‘We watched at least a hundred picture shows and were simply depressed by the amount of vulgarity, stupidity and lies’. Certainly, it would be hard to defend the vast piles of films which were produced to fulfil contractual obligations in the studio system during Hollywood’s Golden Age, but cheaply written and produced movies are hardly a unique feature of American cinema. The cookie-cutter productions of Soviet cinema during the ideologically rigid Stalin era are, on average, of a far lower quality than comparable American films, and have certainly held up worse over time. Ilf and Petrov may have been outraged more by the ideological content of Hollywood films than their quality.

American Road Trip is certainly at the margins of Soviet culture in the 1930s, but it is more than a historical curiosity. Satire was a major part of Russian culture before and after the October Revolution. The lives of Ilya Ilf and Evgeny Petrov illustrate how mixed the bureaucratic approach to political satire could be. Their 1928 novel Twelve Chairs flirts with political criticism, but they remained in favour—other well-known satirists, such as those in OBERIU literary collective, were killed in Stalin’s purges for sedition.

Ilf and Petrov do little more than reflect dominant Soviet thinking about their ideological opponent, but they are never heavy handed or propagandistic. American Road Trip purports to be a study of the United States, but instead fascinatingly reveals the strength of Soviet ideology and the Russian mindset.
Intolerance as ideology

Richard Allsop reviews
Blubberland: The Dangers of Happiness
by Elizabeth Farrelly
(UNSW Press, 2007, 224 pages)

Perhaps surprisingly for somebody who is nominally on the ‘progressive’ side of politics, Elizabeth Farrelly is no fan of post-modernism, or even modernism. She doesn’t even like the nanny state.

For instance, in Blubberland: The Dangers of Happiness, Farrelly laments literature’s move from being ‘the Victorian era’s primary moral carrier to being, in the subsequent century, mere entertainment’ and also the fact that the search for beauty is not only unfashionable in art, but considered positively banal. She argues that, while it originally set out to find real beauty, abstract art achieved the exact opposite. Indeed, it became ‘so remote and inaccessible that most people saw nothing in it at all’.

Post-modernism is also held responsible for the lack of respect for professionals such as doctors and architects and Farrelly believes that as consumers we are getting worse outcomes as a result. While many community groups opposing property developments demand more community consultation, as an architect, Farrelly believes that ‘public participation is as likely to mitigate against good architecture and beautiful cities as against ugly or bad ones’. She argues, correctly, that ‘legislation, especially planning legislation, must be as impersonal as the weather’.

This book does not have a clear thesis, rather being a litany of complaints against consumerism and ugliness in contemporary Australia.

But on aspects of certain issues, such as the environment and feminism, she can make acute observations. Farrelly points out that residents of New York are living much greener lives than ‘hippies … living in mud brick’. She also attacks ‘victim mentality, nanny statism and the liability culture that kills street theatre and removes play equipment from public parks’ and ridicules one school’s ban on kicking balls in the school yard.

However, the thought-provoking parts are heavily outweighed by this book’s manifest flaws. It lacks a logical structure and the author is too inclined to use every quote and example she has ever stumbled across. To use one double-page spread as an illustration, the reader is taken from classical Greece, via the views of an eighteenth century commentator, through six modernist painters, to Lucien Freud, via passing references to Kate Moss, Jerry Hall, Princess Diana and Richard Alston. The net effect makes the book read like the end of a long, well-lubricated lunch—after most of the participants have evacuated to another table.

In the extensive list of quotes are several from The Spectator, including the likes of Paul Johnson, Petronella Wyatt and Mark Steyn. In the case of Steyn, Farrelly is either ignorant or mischievous when she interprets his comments on French friends refusing to visit the US because Americans are too fat as an attack on Americans. One does not need to have read much Steyn to know that it is, in fact, an attack on the French.

More fundamentally, the book suffers from an atrocious beginning and end. Farrelly begins by arguing that having lots of stuff is not only not making us happy, it is making us unhappy. I just do not buy it. The people I see around, especially the younger people, appear far happier than my angst-ridden teenage friends did back in 1978.

Her claims about our alleged lack of happiness are not the only examples of creating facts to fit her argument. She twice claims that food allergies are the result of actions which ‘over-sanitise childhood’ when the experts, in fact, are still trying to discover what has caused the allergy explosion in the past three decades. Hers’ is a plausible theory, but unfortunately once Farrelly gets onto anything relating to food, houses or the size of cars, she quickly becomes a zealot.

One source of our alleged problems is apparently having too much choice—‘360 types of shampoo in one store’. It is funny how people who complain about capitalism delivering too much choice never advocate reduction of choice in the arts. There are already far more books published and pictures painted that anyone can absorb in a lifetime—why do we need any more?

Any semblance of this being a serious book disappears in the final chapter. Entitled ‘I have a dream…’ it tries to draw a post-catastrophic climate change scenario where ‘rain hasn’t fallen in the eastern half of the country for a decade’ and most of us have upped sticks and moved to nirvana land in the Kimberley. This ‘paradise’ in her words ‘hums with energy’, but as you read on it sounds a most unpleasant place to live.

The ultimate problem Farrelly has is a lack of tolerance. One might very well share her distaste for McMansions, four-wheel drives, post-modern literature and abstract art, but hey, if other people think any or all of those is the way to happiness, let them give it a go.

And, if under her climate change scenarios petrol does reach twenty dollars per litre, people will choose to change their behaviour, just as now they somehow manage to choose a brand of shampoo out of the three hundred and sixty options.

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A disappointing cool down

We have a choice: we can save 49 polar bears a year by banning hunting or 0.06 bears by subscribing to the Kyoto Protocol. Of course nothing in the real world is ever this simple—though Bjorn Lomborg suggests otherwise in his new book Cool It: The Skeptical Environmentalist’s Guide to Global Warming.

Lomborg begins by claiming that global warming is real and man-made, that the immediate consequences of global warming are often exaggerated, that we need simpler and more efficient solutions for global warming, and that there are other more important issues including HIV/AIDS. Even if this were the case, it doesn’t make for a comprehensive, or even simple, guide to global warming.

The book continues the theme that Lomborg effectively dealt with in 2001’s The Skeptical Environmentalist: Measuring the Real State of the World, that those who want to do good need to better prioritise issues, but his writing falls flat this time around. Indeed why should those interested in reading a guide to global warming concern themselves with HIV/AIDS, drinking water and sanitation? Lomborg implies that these, and other issues, are related because he appears to accept the popular notion that stopping global warming and curing the sick are primarily moral issues. They do indeed have a moral dimension, but global warming is essentially a technological and economic issue, while hunger and sickness are often a consequence of poverty which cannot be fixed in developing countries without also addressing issues of property rights and the rule of law—no matter how much money and conspicuous compassion is thrown that way.

The front flap describes Cool It as, ‘a groundbreaking book that transforms the debate about global warming by offering a fresh perspective based on human needs as well as environmental concerns’. In reality, many global warming activists have dismissed the book while criticizing Lomborg for using issues relating to developing world poverty to attack proposals to mitigate warming. On the other side some global warming sceptics complain Lomborg provides no evidence to show there is human-induced global warming. Lomborg claims he tries to take a ‘centrist point of view’ but in reality he avoids many real issues and also the complexity of the real world.

Take for example the issue of polar bears (and putting aside a valid criticism that Lomborg should have used the latest 2006 report from the Polar Bear Specialist Group of the World Conservation Union rather than relying on the somewhat dated 2001 report), why should the Inuit people of the Arctic be banned from hunting polar bears if numbers are indeed increasing? In the opening chapter Lomborg correctly explains that over the past decades the global polar bear population has increased from about 5,000 to 25,000 through the introduction of a quota system for hunters. Lomborg also makes the point that this information is ignored by many technical and media reports which overwhelmingly suggest the demise of polar bears. But Lomborg then goes on to suggest that the solution is to ban hunting altogether. But if the quota system is working why destroy it?

Lomborg conveniently side-steps the entire potentially contentious issue of hunting and just assumes that if there was no hunting there would be more polar bears and that more polar bears is an intrinsically good thing. In the same chapter Lomborg claims a concern for the Inuit people there tradition of hunting polar bears when the evidence suggests that the practice, given current regulations, is sustainable?

Cool It raises issues which could challenge the armchair environmentalist’s often romantic, but false, ideas about the natural world, and the left’s outdated notion that we can ‘make poverty history’ if only first-world governments gave more aid to developing nations. But after The Skeptical Environmentalist—surely a classic of its genre and an heir to Julian Simon’s The Ultimate Resource—which had 25 chapters and 173 data-rich figures, Cool It, which, in its American edition features just five chapters and not a single graph, is a disappointment. It lacks real substance, side steps critical issues and promotes unrealistic solutions to some of the world’s most pressing problems.


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The four ways of reading

Louise Staley reviews
How to Read the Bible
by James Kugel
(Free Press, 2007, 848 pages)

Who wrote the Bible and how should it be read? Christians, like Muslims with their Qur’an, are increasingly signing up for a literalist belief in the good book as not merely divinely inspired, but as a set of instructions direct from God. The rise of fundamentalism in religion is a topic of our time and often the response has come from atheists and secularists, determined to ‘prove’ religion is bunk—Richard Dawkin’s The God Delusion and Hitchen’s God is Not Great: How Religion Poisons Everything have been heralded as representing a ‘new atheism’.

In How to Read the Bible is not an atheist manifesto—the author is in fact an observant Jew—but Kugel may yet strike the most telling blow against fundamentalism.

This is a beautifully written, erudite book. To discard it because one is not religious is to miss a reading treat; to refuse it because one is religious is to admit a profound shallowness of faith.

Kugel sets out to compare different traditions in reading and understanding the Jewish Bible, but his arguments are just as relevant for the Christian Bible. Kugel does more than merely pit traditional interpretations against modern biblical scholarship, although indeed that is part of his aim. But more crucially, he argues that the current literalist interpretations of the Bible are just as out of step with traditional religious interpretations as they are with modern biblical scholarship that sets out to ‘prove’, in an archaeological sense, where the bible came from.

Kugel steps the reader through four methods of Biblical exegesis: that of the ancient interpreters, early Christians, modern scholars and modern fundamentalists. The ancient interpreters understood the Bible through a set of assumptions which dictated to them what it ‘meant.’ Foremost among those assumptions was that the Bible was a cryptic document, full of hidden meanings which needed interpretation to be understood. The remnants of this approach are alive today in the Jewish Kabbalah. Another assumption was that the Bible as a divinely given text contains no mistakes. As a result where the Bible presents God in a poor light, as with the story of Abraham and Isaac, the ancients argued it could not actually mean God expected Abraham to slay his only son, and to do so without expressing any sorrow or misgivings.

Early Christians modified the ancient interpreters’ approach in three important ways. Firstly they saw the Bible’s stories as allegories; as representations of abstract ideas or virtues and vices. This took away any need to believe everything in the Bible actually happened. Next, early Christian writers saw the Jewish Bible as primarily important as a precursor of the New Testament so went looking for biblical predictions that come true in the New Testament. Like the allegorical approach this way of reading the Bible sees the details of the Bible as representative of something else. Early Christian writers made a final change to traditional Jewish ways of reading the Bible when they chucked out observance of most of the 613 rules listed in the Pentateuch. Saint Paul wrote at length in Corinthians that Christianity required only faith in God and His grace, not keeping to the letter of Jewish law.

This way of reading the Bible remains orthodox for Roman Catholics and Orthodox Christians and is antithetical to Kugel’s third way of reading the Bible—as a literalist text. Sola scriptura, (by scripture alone), became a rallying cry for the Protestant reformation as it meant the Pope and Catholic Church had no divine right to be the arbiter of what scripture meant. This has morphed into what is now seen as Christian Fundamentalism—the use of highly selective Bible verses to support political or ideological positions because ‘the Good Book says it’s so.’ Such a literal approach to the Bible would not be recognised by early Protestants such as Martin Luther, let alone by those in traditional Christian and Jewish traditions.

Modern biblical scholarship, through extensive use of archaeology and the discovery of various ancient manuscripts, has demolished many of the traditional ways the Bible is understood. For example, there is no evidence of the exile from Egypt or that the walls of Jericho came tumbling down (Jericho, it appears, had no walls). Modern scholars believe the Bible was written by at least four people, with very different motivations for doing so. No wonder, as any casual reader of the Bible knows, there are multiple and unrecognisable differences at every turn.

Much of the commentary on Kugel’s book has concentrated on what it means for the religious now that modern scholars have shown that the Bible is not a single, divinely dictated, document. Without doubt, the way Kugel presents the conclusions of modern biblical scholarship is deeply interesting, learned and yet accessible to even a person outside the Judeo Christian tradition. For anyone with even a skerrick of inquisitiveness, this book delivers in spades. But to merely read it for evidence Judaism and Christianity are false because now there’s proof that large chunks of the Bible are definitively man made is to miss the point of faith and the point of this book.
Naomi Klein's latest offering, The Shock Doctrine, is a valuable study of how Milton Friedman will kill your children and abduct your parents.

In this breathless book, the 'shock doctrine' refers to the use of crises by free market supporters to implement policies that might otherwise not be accepted through a democratic process. The villain of the book is the late economist Milton Friedman. In the Australian edition of the book, a quote from Friedman is written in big bold letters in the inside cover of the book:

Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.

This short quote forms the foundation of Klein's 466 page tome. Indeed, if the key to understanding the book is this very quote, it is also the key to understanding why the book is fundamentally flawed from the start.

Of all the 'doctrines' one could mould out of Friedman's giant catalogue of writings, Klein has taken two minor sentences from the preface to the second edition of a book, labelled it a doctrine, and assigned it as the root ideology behind humanity's suffering at the hands of capitalist policies. Indeed, Klein describes it as Friedman's 'influential passage'.

Klein's powers are limited by her own obsessions, anger and at times, idiocy.

But nevertheless, from this tangential intellectual origin, arises Klein's 'disaster capitalism'. So many claims are made and implied in The Shock Doctrine, that it is difficult to know where to begin. Klein tries to establish a link between psychological torture and economic policy—that is, the wiping out of memory and identity and its replacement with something new (and something worse). A similar strategy is necessary when trying to implement free market programs, argues Klein, as democracy typically rejects radical market reforms, and as a consequence authoritarian and inhumane policies are needed to implement them.

Klein's focus on the political injustices imposed by various governments is not entirely without merit. On a purely political level, Klein's concern for individual rights and human freedom is her greatest strength, but that is not the purpose of this book. Rather, Klein draws a correlative link between these political injustices and the so called economic injustices of free market reforms. The two are inextricably linked, argues Klein, with political injustice and authoritarianism embedded within free market ideology.

'I am not arguing that all forms of market systems are inherently violent', argues Klein, but 'the Chicago School strain of capitalism does indeed have something in common with other dangerous ideologies'.

This is a fascinating hypothesis. Firstly, it is the opposite approach of the historical revisionism that most left-wing historians have adopted since the Russian Revolution. Klein explicitly ties economic ideology with political oppression. The new left historians have split much ink in trying to separate the intellectual concept of economic socialism with the political oppression that occurred during the twentieth century. The result of this is a reverse Road to Serfdom—Hayek turned on his head with free markets replacing socialism.

But where Hayek's book was the result of decades of research and his own gradual conversion from fabianism, Klein's book is the product of a few years of travel and lazy research, based on a lifelong hatred for capitalism passed down to her by her parents.

Indeed, Klein's powers are limited by her own obsessions, anger and at times, idiocy. For a work that tries to be so ambitious, Klein has applied too much of her ordinary journalistic research skills to a project that requires enormous skill and attention to detail. Interviews are worthwhile when asking questions related to the individual. They are not however useful economic indicators, nor are they trustworthy when the individual is asked to generalise about the state of the country.

Little use is made of primary sources in discussing the economics of free market policies. Rather, much of her 'evidence' is footnoted to another polemic like the very one she is writing, or to an opinion piece written by a like-minded

Andrew Kemp reviews The Shock Doctrine: Rise of Disaster Capitalism by Naomi Klein (Penguin, 2007, 576 pages)

Klein's powers are limited by her own obsessions, anger and at times, idiocy.
Interviews are worthwhile when asking questions related to the individual. They are not, however, useful economic indicators.

journalist. This is the equivalent of arguing against evolution and then referencing last Sunday's sermon as your evidence.

Klein’s chronic tendency to misquote articles to the point of absurdity is disturbing. Take for instance her argument that Friedman’s ideas weren’t taken seriously before Thatcher and Reagan’s rise to power. Her only evidence is an article in Time magazine—Friedman was dismissively described in Time in 1969 as a ‘pixie or a pest’, and revered as a prophet by only a select few.

This is the actual passage of the Time article that Klein quotes from:

Friedman, a 57-year-old economics professor at the University of Chicago, is still regarded by critics as a pixie or a pest, but he has reached the scholar’s pinnacle: leadership of a whole school of economic thought … Friedman has succeeded in persuading many leading economists to adopt his monetary theories, at least in part.

So while the article itself actually praises Friedman, Klein selectively makes the article take the opposite view.

Such a criticism may be nitpicking, but Klein’s book is full of such misleading quotations. The author relies heavily on quotations from articles and books for evidence, serves only to compound the problem.

Her research into the Chicago School is particularly deplorable. She characterises economist Frank Knight as someone who ‘thought professors should “inculcate” in their students the belief that each economic theory is a “sacred feature of the system”, not a debatable hypotheses’.

Frank Knight of course was famous for taking the opposite position. Knight wrote in The Economic Organisation that ‘there is no more important pre-requisite to clear thinking in regard to economics itself than is the recognition of its limited place among human interests’ and ‘living is an art: and art is more than a matter of a scientific technique’. Arguing that Knight believed that economic theory was not debatable is like arguing that Einstein did not believe in the theory of relativity. How could Klein get it so wrong?

Indeed, we also learn that Friedman’s contemporaries often referred to themselves as ‘classical economists’ (a term that actually describes a particular branch of economics in the nineteenth century, of which people like David Ricardo and Karl Marx are included).

If there is a real evil to Klein’s book however, it is her mission to seek out any correlation between free market or US endorsed policies and economic depression and then claim causation. The book as a whole is a chronic abuse of one of the most important rules of social science.

Take the case of Bolivia. Klein describes how the eradication of coca crops in Bolivia in 1984 (funded by the United States) ‘cut off the source of roughly half of the country’s export revenues’ which ‘pushed the country over the edge’. ‘It was in those circumstances’ writes Klein, ‘with inflation up 14,000 per cent, that Bolivia entered its historic 1985 national elections’.

This is the only explanation given to the cause of Bolivia’s now famous hyperinflation crisis in the 1980s. Yet inflation was already reaching 300 per cent by 1982. Klein does not discuss the heavy borrowing by Bolivia in the decade before nor the fact that the country was cut off from borrowing internationally at the beginning of the 1980s, initiating the hyperinflation.

Instead, Klein invites her readers to believe that it was Ronald Reagan who was responsible for Bolivia’s economic strife. Furthermore, no mention is made of the improvements to Bolivia that have occurred since the reforms, with GDP per capita up, adult literacy up, school enrolments up and the child mortality rate down.

Ignorance of these improvements reflects Klein’s tendency to focus only on short term consequences while ignoring longer term impacts. Readers will learn for instance, that Chile’s inflation rate rose significantly following its market reforms. Had Klein extended her time period, readers instead would have learnt that inflation in Chile fell from a peak of 1000 per cent to nearly 10 per cent. The Shock Doctrine also makes the less than compelling argument that China is now worse off than it was before the market reforms.

Despite Klein’s technique of dealing with most reform case studies in crude generalities, she still manages to confuse her rhetoric. In one case, Klein describes the ‘Holy Trinity’ of free market economics as ‘privatisation, deregulation, and cuts to social spending’. Of course, the reason why free market economics proposes privatisation and deregulation is precisely because it will allow social spending to increase, only this time from individuals and families rather than governments.

The Shock Doctrine’s greatest strength is to serve as a warning to future writers, one which screams out the dangers of ideological prejudice and the damage it does to research and intellectual integrity. Klein rose to stardom as an articulate spokesperson for the anti-globalisation movement, whose strong rhetoric introduced many young activists to the cause through her best-selling book No Logo. The Shock Doctrine will cement her as another political fanatic, adored by her acolytes but destined to be superseded and eventually forgotten.
What ‘fascist mob’? Overland and the IPA

Chris Berg: Opposing government interference in the economy and society is hardly support for ‘fascism’. An attack on the Institute of Public Affairs in the latest edition of Overland by Shane Cahill shows just how far the socialist literary magazine has strayed off the ranch.

Just the title of the piece—‘This Fascist Mob’—indicates Overland’s relaxed approach to scholarship. ‘Fascist’ is a word with a very specific meaning. But its use in this case is drawn from an anonymous critic complaining about that the IPA’s opposition to the Curtin government’s heavy-handed approach to regulation during the war meant that the IPA was probably a Japanese sympathiser.

In 1944, a furious letter written by an anonymous air force officer complaining about the IPA was sent to the Deputy Prime Minister. In this letter, he accused the IPA of sabotaging the war effort by producing a wartime radio programme. This programme, The Harris Family, was a scripted radio play where a family discussed and debated the dangers of over-regulation, price controls, and centralisation. The show, as the airman pointed out, was rarely very friendly to the Labor government.

This letter made its way to the Commonwealth Security Service (CSS)—the precursor to ASIO—and provoked a minor investigation into its allegations. The CSS commenced the serious task of finding out whether the IPA was, as the letter writer claimed, ‘more vile and sinister than any Jap’. In early 1944, the CSS collected reports from its state divisions on the activities of the IPA across the country, but nothing surfaced to indicate that the IPA’s activities were anything outside of the normal political debate.

The scripts for The Harris Family had been duly submitted to the Commonwealth wartime censors and approved; the IPA’s constitutions and executive officers were public record, and apart from an inclination to ‘discredit the Labor government’—hardly a crime in a liberal democracy, even during the war—the investigation turned up nothing incriminating.

Indeed, the CSS file is replete with scrawled notes doubting the necessity of the investigation—‘this appears to be to be just a political matter’. And the CSS Deputy-Director dismissed the investigation with the comment that ‘the committee and others sponsoring the Institute are well known representative people in Melbourne whose integrity and loyalty should be beyond reproach’.

The rest of the Cahill piece tries to tie this small sidenote in the history of the IPA to broader investigations about sympathy for Japanese fascism in Australia’s business community. Two senior businessmen and members of the IPA council were recorded as members of the pre-war Japan-Australia Society. In the 1920s into the 1930s, Japan was an important trade partner of Australia. By the time of the IPA’s foundation, the Japan-Australia Society was history.

But nevertheless, in Cahill’s hands, this represents the ‘compromised and murky milieu from which the IPA emerged’.

The implication of the Overland piece is that, while the IPA may nowadays claim to be a vigorous defender of representative government and liberal freedoms, its founders would have found a fascist dictatorship just as nice. As Cahill writes, ‘In the 1930s and the 1940s the link between freedom and the “free flow of capital” didn’t seem so apparent’.

Perhaps not for the intellectual ancestors of Overland, who, in the mid 1940s, were still debating whether democracy was necessary in a socialist paradise. But the reality is far more mundane than Cahill’s conspiracy theory of fascist Japanese sympathisers undermining the Curtin government from within the business community.

What was the IPA doing during the later stages of the war? The IPA was the first free market think tank in the world. As it had no clear international parallel or precedent to give guidance, each state division of the IPA took a different view of how engaged the think tank should be with the day to day political fray. The Queensland and New South Wales divisions were prolific propagandists—The Harris Family was complemented with imitation cheques which were slid into Queenslanders’ pay packets asking them not to sign away their freedoms to Canberra in the 1944 constitutional referendum. (See picture above.) The Victorian division by contrast was more interested in longer-term, and more sober, policy analysis.

In 2008, the IPA is accustomed to abuse from the left, and is too often accused of ‘fascism’—as if the IPA’s mantra of free markets and free societies is the equivalent of totalitarianism and militant nationalism. The tone of Overland is too quasi-scholarly to openly accuse the IPA of fascist sympathies, but, through a careful manipulation of the historical record and abuse of political terminology, Cahill tries to let the anonymous air force officer speak for the modern left. About the only accurate thing in the Overland piece is calling the IPA of 2008 ‘prolific’.

IPA material produced in 1944

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Chris Berg is Editor of the IPA Review.
Human pets not allowed
A company has apologised to a teenage human pet after she was thrown off one of their buses with the driver allegedly telling her that ‘We don’t let freaks and dogs like you on.’

The 19 year-old goth who lives on welfare and is the self-described pet of her 25 year-old fiancé wears a studded collar and is led around on a leash by her owner.

She told British newspapers, ‘I generally act animal-like and I lead a really easy life … It might seem strange but it makes us both happy. It’s my culture and my choice. It isn’t hurting anyone.’

The driver claims to have been worried about health and safety and the bus company has requested that in future Dani removes Tasha’s leash when they ride the bus.

Not so lucky after all
Police have confiscated a $1,000 winning lotto ticket after 46 year old Michael David was arrested in Maine for allegedly selling methadone tablets. The police seized the winning ticket claiming that it had been purchased with the proceeds from an illegal drug sale.

‘I guess it will be up to a judge to decide, but it’s in our possession right now as proceeds from a drug transaction,’ said Police Chief John Deleo.

Judge Dread
A United States judge was recently relieved from his duties after he jailed 46 people because a mobile phone rang in his Niagra Falls City Court.

Judge Robert Restaino ‘snapped’ and according to the review ‘engaged in what can only be described as two hours of inexplicable madness’.

The incident occurred in 2005 when a mobile phone rang and a furious Restaino demanded to be told who owned it. ‘Every single person is going to jail in this courtroom unless I get that instrument now.’

‘If anybody believes I’m kidding, ask some of the folks that have been here for a while. You are all going.’

When no one owned up the Judge set bail for the 46 defendants at $US1,500 and 14 people who could not raise their bail money were shackled and bussed to the county jail.

Second Financial Crisis
The creators of virtual world Second Life will now regulate virtual banks after one collapsed recently during a credit crunch. The creators said that the situation that led to the collapse posed ‘unique and substantial risks to Second Life … likely to lead to destabilisation of the virtual economy.’

The result was that many users rushed to withdraw their Linden dollars in the real world fearing it would be unrecoverable. The Linden dollar is exchangeable with the $US at a rate of roughly $L270 to $US1.

‘Since the collapse of (in-world bank) Ginko Financial in August 2007, Linden Lab has received complaints about several in-world ‘banks’ defaulting on their promises. These banks often promise unusually high rates of $L return, reaching 20, 40, or even 60 per cent annualised.’ Linden Lab now prohibits banks from offering interest or any direct return on investment in Second Life without proof of an applicable government registration statement or financial institution charter.

Problems arose when Second Life world banks and ATMs were built around Ponzi schemes that pay high interest rates using the money of other depositors.

Incorrect weight
It’s apparently not an offense to sell goods in pounds and ounces according to European officials. However, police in London have prosecuted a 63-year-old owner of a fruit and vegetable shop for doing just that.

The police seized scales from the lady’s shop and have charged her with 13 counts of violating laws that require shop owners to sell in metric units. The woman faces a fine of up to 5,000 pounds for each charge she is found guilty of.

We’re all very tolerant here, but if you look like this, it might be worth thinking deeply about the silliness of your lifestyle choices.